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SCIENTIFIC INVESTMENT FOR EVERYBODY.

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Current Financial Opinion

The Up-to-Date Thoughts of Wide-Awake Thinkers

The Tangible vs. The Intangible.

MORE than usual, perhaps, the opinions now expressed as to future business and investment conditions are tinged by the personality of the speaker or writer. The basis for discouragement is on the surface, easy to see and to point out to others. Those who find warrant for optimism are reckoning for the most part on less tangible and obvious things—reasoning that the darkest hour is just before dawn, and that every period of depression in the history of the world has soon been followed by a renaissance of activity and enthusiasm.

The two methods of reasoning appeal to different temperaments and each has its faults and its virtues. Yet we must recognize the fact that the men who have made the greatest successes in both the business and the investment fields have been those who possessed the imagination to look ahead and to base their views of the future on precisely those intangible factors which must be contemplated through the telescope rather than the microscope.

Several of the men closest in touch with large affairs have expressed opinions recently:

Frank A. Vanderlip: I regret that I cannot at the moment see any marked tendency in the direction of business improvement. We have the promise of great crops, although there is much uncertainty between such an early promise and ultimate fulfilment. Should there be complete fulfilment of that promise it would, of course, temporarily, at least, bring with it improvement.

We may be permitted an increase of railroad rates, and that would be doubly helpful, first on the side of its direct benefit, but even more on the side of a promise of fairer treatment. Business conditions are unsatisfactory, however, on account of fundamental reasons that are deeper than can be cured by one or both of these factors.

We are today a nation grown critical of business methods and resentful of business accomplishment.

H. P. Davison: I spent about ten days on the European Continent upon my return from Africa. I found business exceedingly dull. There is nothing doing in the financial world. There is a spirit of depression and dullness in European Continental countries. I am exceedingly well pleased and the Federal Board is to be congratulated upon appointment of Paul Warburg as one of the members. I think the board is fortunate also in appointment of W. P. G. Harding for the Southern district.

George M. Reynolds: If the spirit of currency legislation is maintained throughout and the management is what it should be we will get along all right, although each line of the currency bill invites rediscounts by country banks with consequent danger

A PROMISING BROOD.

of over-expansion. That is why we should have the most efficient management we can get and should do business broadly in the world's markets.

James B. Forgan: I believe war would stimulate business at this time.

James A. Farrell: A close observer of the world's trade at the present time cannot fail to note throughout the world of commerce and finance that the prevailing tone is steadily improving and is now somewhat better than it has been in recent times.

Because of the bettered tone of business, generally coupled with the stimulating effect of a variety of other circumstances which have occurred and are occurring, indications point toward the gradual emergence of the iron and steel industry from a comparatively unsatisfactory condition to one wherein confidence in the commercial world will be restored.

I feel safe in advancing the opinion that improved trade conditions, not only as regards tonnage, but also values, will prevail in the near future.

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Prosperity Dependent on A String of "Ifs."

PRESIDENT FARRELL, as quoted above, is almost the only one of the business leaders to predict improvement without qualifications. Nearly all the others tell us that "if" the Mexican War is soon settled, "if" the Government will stop persecuting Big Business, or "if" we have good crops and the people begin to economize, then we may look for improved business conditions.

This reminds us of the wise-acres who formerly—for there are very few left under present market conditions—used to keep the chairs warm in the brokerage houses and dispense such nuggets of intellectuality as this: "If Steel goes to 71 it will sell at 75." What we would like to know is what conditions will be, not what they will be "if" several things happen that may happen and may not. Below are several more opinions, more or less encumbered by "ifs":

Charles C. Jackson, of Boston: The very low prices of best bonds, and the very low bank reserves, show that investing power is still greatly lacking. Moreover, the profits of most corporations and capitalists are apparently very small, and until these profits increase, investing power will of course not increase much.

Our foreign trade shows that prices of merchandise here are high, and bear a higher ratio to prices abroad than they did after the crises of 1903 and 1907.

President Elliott, of the New York, New Haven & Hartford Railroad Company, quotes railroad wages as having risen 29 per cent. in the past ten years.

The only road to an increase in profits seems to be through a reduction in all costs of production—wages, materials, etc.

In view of these facts, and of the increase in the number of laborers unemployed, and of the incipient growth of a widespread determination to economize, it seems probable that we shall have a more thorough reduction of costs of all kinds, and therefore a longer period of depression than we had in 1904 and in 1908.

William T. Noonan, President, Buffalo, Rochester & Pittsburgh Railway: I am confident that with normal crop conditions and a cessation of Federal shackling of enterprise, business of all kinds will go ahead very rapidly and that more than ever this country will be the best in the world in which to live and labor.

Chairman Tripp of Westinghouse Electric: If the Mexican situation should be disposed of within a comparatively short time and without too serious complications, and if the railroads should get their rate increase, I think there would be a remarkable increase in business of all kinds. However, these are ifs.

Pres. Clark, of Lackawanna Steel Co.: The only thing that makes for any feeling of optimism is that we are daily approaching a time when some sort of a rate increase must be granted and that there are steel orders piling up all the time which some time or other the railroads and other industrial companies will have to release.

Pres. Morris of Girard Trust Co. of Philadelphia: Nothing can be said against the beneficial effects of large crops, but it is only good as far as it goes. I can see little that would cause me to be jubilant when other things are considered.

James A. Penton, Secretary American Pig Iron Association: There is a feeling of unrest and distrust throughout the country which is keeping people from spending money except where absolutely necessary. New work is practically at a standstill, and industrial corporations will not enlarge until they have assurance or at least hope that the government will cease its attempts to destroy business instead of aiding it. Already there have been heavy shipments of iron into this country from England and Germany, most of the iron going to Gulf ports. Within a short time there will be a considerable tonnage of hematite iron landed in Philadelphia from England, and I believe that this is merely the forerunner of an invasion by foreign iron makers in other grades.

James A. Campbell, President Youngstown Sheet and Tube Company: Steel manufacturers are reluctant to consider the question of lowering wages of steel workers, but feel that it must eventually come. The feeling prevails that a lower wage would serve the interests of the men themselves best, as it is not a question of how much a man may be able to earn in a day, but what he will be able to earn in the course of a year. A lower wage would give the steel makers a better chance to compete with imports along the Eastern seaboard and thereby save some of that foreign trade which would be lost to foreign mills.

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Bankers, as Usual, Are Cautious.

THERE is one word that always describes the opinion of any banker at any time, and that is "conservative." Just at present the banks are perhaps a little more conservative than usual. In general, they seem to be of the opinion that if things don't get worse they may get better. The following are typical of the numerous bank circulars which reach the offices of financial publications:

The National City Bank of Chicago: Should there be an early settlement of the Mexican difficulty, there is reason to believe that business would revive with genuine prosperity once more for the people of the United States. All that business men want is to be let alone so as to build up what has been torn down, and pursue once more the even tenor of their ways. Everything has been pretty thoroughly liquidated, and the outlook is favorable for sustained improvement in all directions as soon as the Mexican affair is settled and the political difficulties are cleared up. Unless further interference is encountered from these quarters, or the government should be obliged to engage in a costly campaign against Mexico, it would be hard work to keep business from improving in response to the excellent crop prospects which have to be reckoned with at this time.

Peoples National Bank, Pittsburgh: Usually war gives a temporary stimulus to certain lines of trade, but on the present occasion commercial and industrial interests are disposed to await developments over the next few weeks before making definite plans for meeting probable requirements of the future. In the Pittsburgh district there are no encouraging developments in connection with its chief industries. The unsettled conditions in Mexico have already stopped extensive oil field developments in that country, in which Pittsburgh capital is largely interested. Railroad tonnage in this district suffered a material reduction as a consequence of industrial contraction.

Fourth National Bank, New York: General business is naturally a great deal unsettled at the moment by the unexpected developments in Mexico. Underlying conditions are sound, and if the Mexican situation should be entirely cleared up there is little doubt that business will pick up and that a great deal of construction work will be undertaken. The banks are in a strong position, and the New York bank surplus stands at a level which compares favorably with the figures shown at this date in other years. Besides this, the whole country is practicing economies which will mean a great deal later on.

Franklin National Bank, Philadelphia: The firm stand taken in the Mexican situation promises an early and decisive settlement of our difficulties with some of the people of that country and, following the adjournment of Congress, the improvement in business should be marked, although any considerable business improvement should not be expected for a few weeks at least.

Capital National Bank, Sacramento, Cal.: The situation is about as healthy as ever encountered in this territory. The potential

WALL STREET: "THE NERVE OF HIM."
—*Waterbury Republican.*

buying power of the farmer, being a greater factor this year than usual, should result in a general improvement in both retail and wholesale merchandising.

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Are Stocks on the Up Swing of the Cycle?

IF so, they are making a very slow start. One student of the cycle theory figures out that, taking calendar years, we have passed through since 1897, five cycles as follows: Up 1897-8-9; Down 1899-1900; Up 1900-1-2; Down 1902-3; Up 1903-4-5-6; Down 1906-7; Up 1907-8-9; Down 1909-10; Up 1910-11-12; Down 1912-13; Up 1913-14-15 (?). According to this theory, the up swing began with June, 1913, and should last until 1915—but so far we have made scarcely any progress upward, or at least whatever gain has been made has been soon lost again.

In only one important industry can we clearly discern an upward trend, and that is copper. Even with business dull in all copper consuming lines, production and consumption are practically equal and stocks of the metal are down to a very low level, with no new resources to draw upon. Moreover, the price of the metal stays above 14 cents in spite of the inactivity.

Mr. Brookmire is well-known as an advocate of the cycle theory:

James H. Brookmire: The general trend of stocks during the rest of the year will be determined largely by money and crop conditions. Political influences are going to have some effect, to be sure, but some of these political influences are going to have a favorable effect, the net result being that politics as a fundamental factor may be considered a neutral influence, or at least neither decidedly favorable nor unfavorable.

At present the crop outlook is very promising. Money conditions, likewise, are very satisfactory in this country and, though still a source of weakness in Paris, will probably show continuous improvement in Europe during the next twelve months.

Byron W. Holt: In spite of the many dark spots—business depression, small profits in most lines, strikes and wars—we see, or think we see, more brightness ahead than we have seen for two years. Here are our reasons:

1. Money is cheap and is likely to remain cheap for many months, or until business is again good. Our new currency law may help to keep money cheap next fall.
2. While the season is late yet the present outlook for crops is good.
3. The basic materials of manufacture—iron, steel, lead, copper, rubber, silk, woolen and cotton goods, lumber, oils, etc.—average lower in price than for several years.
4. The rental values of buildings and lands are probably lower now than they have been since 1905.
5. Efficiency of labor has probably increased recently.
6. Our Mexican trouble will probably be fixed up without great loss of blood and treasure.
7. The railroad rate decision will probably come soon and will be more or less favorable to the roads. This will give a fillip to some important industries, though it will not produce important and permanent good results.
8. Foreign difficulties—in Ireland, South Africa, France, Eastern Europe, etc.—promise to become less acute for a while.
9. Nearly all of the optimists of last January and last year have become pronounced pessimists and can see nothing bright ahead: The turning point must be near.

—Leslie's Weekly.

Edward B. Boynton, President, American Real Estate Company: The financial situation in New York at the present time seems entriely anomalous. There is plenty of bank money and very little investment money. In other words, the banks are carrying large deposits, but there is little money available for investment.

The underlying difficulty seems to be, as in the past, a lack of confidence in the business situation and uncertainty as to the outcome of the almost continuous agitation

which has been directed against business over a period of several years.

Until there has been a change in the attitude of the public toward business and financial interests there will not be any perceptible improvement in the investment field or in marked readiness on the part of investors to place their funds permanently.

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The Market Has Been Thoroughly Liquidated.

WHILE a number of leading stocks —including New York Central, New Haven, Lehigh Valley, Missouri Pacific and Rock Island—have sold lower in 1914 than in 1913, thus pulling down the general level of railroad stocks, the majority of issues are still well above the low level of last year. The general impression is that although renewed liquidation may break out in certain stocks, the market as a whole has been pretty well liquidated and there is a considerable "sleeping" short interest. "The professional element," says the Chicago *National Banker,* "has been selling short for nearly two years. Bearish rumors have induced all sorts of people to go short but have not shaken out the holdings of real investors. Too much company has made the bear position weak."

Absorption by small investors is a fairly continuous feature. Every sharp decline now brings the odd lot buyer into the market. His purchases may appear insignificant at the moment, but in many cases they are permanently taken off the market.

Here are two contrasting views:

Boston News Bureau: A capitalist closely affiliated with one of the most powerful financial groups has recently begun to take an interest on the bull side, after a long period of indifference, if not positive bearishness. His reason he sets forth as follows: "The financial community has found itself in condition of a man who was stunned by an explosion, and to whom no succor came. In time he recovered consciousness, got up and went his way. Financial interests were terrified by explosions of demagogy, and attacks on corporate wealth, but they now begin to realize that no serious injury was done, and to feel rather ashamed for having succumbed so readily and remained prostrate so long. They are now up and doing, with a purpose to retrieve what was lost during the period of hesitation and freight. Such violent explosions as caused the prostration will not recur, for those responsible for them have become frightened over consequences of their own acts, and even if there were a recurrence, it would be comparatively innocuous. The Mexican situation has ceased to be a factor in the stock market. For whatever comes of it, the markets will be found prepared."

Leslie's Weekly: Wall Street is the reflector of the business of the country. The stagnation it has recently experienced does not indicate, as some believe, that the market has been sold to a standstill and that an upward movement must naturally follow. It is true that stocks are in strong hands, as they always are after such a protracted liquidation. It is also true that substantial dividend payers are selling at what appear to be very attractive figures. But until the general prosperity of the country receives stronger assurance than it now has of relief from oppressive legislation, even the hope of good crops can hardly give the stock market a strong lasting upward impetus.

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Crops Grow Regardless of War, Tariff or Legislation.

IT is noticeable that the feeling of depression is deepest in those lines which are devoted to supplying immediate every day wants. Poor crops last year, slow collections, unfavorable weather for the trade throughout the winter and spring, tariff changes, new legislation, the fever for regulation and investigation, war talk, labor troubles, etc., have checked retail trade.

It is true, however, that many of these symptoms are largely mental, and as *Bradstreet's* puts it—

> Evidences are not absent that the underlying spirit of American optimism, while obscured for a while, is not dead; that the past years of short-handed buying have created good-sized vacuums in stocks of goods which will need to be filled, and that a very large potential demand for products of American agriculture and industry will assert itself, provided that the year's crops, after all the great basic feature, turn out

SQUEALING.

well, and that a pause will occur in the typically American pastime of abusing conditions as they exist and of trying to make all men and things suddenly righteous by enactment.

In all encouraging views the crop prospects bulk large. The winter wheat is practically made, barring some extraordinary disaster—big acreage, good condition and plenty of moisture in the ground. The Government estimates the record-breaking total of 630,000,000 bushels of winter wheat alone, and James A. Patten, who knows a thing or two about crops, says that—

There is a probability of a wheat crop of 900,000,000 bushels in the United States and it might easily run up to 1,000,000,000 bushels. There never was such a wheat prospect in this country. If promise is realized we would have about 350,000,000 bushels of wheat to export and in event Canada supplies 200,000,000 bushels, which is not unreasonable, North America could supply the importing nations of the world.

Is Dull Business Bringing Economy?

Not Very Much "Help Wanted."

UNFORTUNATELY there can be no question about the dullness of business at present. The next question is, Are we building for the future by more economy and saving by the people generally? Opportunities for saving are not as good as during a period of more active business, but on the other hand it has often been asserted that in times of dullness the people will cut down their expenses more than the decline in their incomes.

H. N. McKinney, of N. W. Ayer & Son, has a unique way of testing the activity of business and the consequent earning power of the people:

Probably there is nothing that gives the absolute truth more correctly than the advertisements of "Help Wanted" in daily newspapers. When business is good, business men advertise for more help, and the number of these advertisements increases or decreases with the rise and fall of business.

A careful examination of the "Help Wanted" advertisements in the daily papers of twenty-eight leading cities from the Atlantic to the Missouri River, shows a falling off of 29.18 per cent., as compared with last year. Philadelphia shows a decrease of 42 per cent.; Kansas City, 40 per cent.; St. Louis, 35 per cent.; Worcester, Mass., 35 per cent.; Detroit, 33.33 per cent.; Cleveland, 33 per cent.; Cincinnati, 33 per cent.; Grand Rapids, Mich., 25 per cent.; Indianapolis, 24 per cent. Louisville, Atlanta and New Orleans show light gains.

The depression is by no means confined to this country. It is world-wide. For example, Mr. B. H. Billman, of Albany, who has just returned from Argentina and Brazil, thus describes conditions there:

For the year ending December 31, 1913, failures in the Argentine Republic amounted to $205,000,000 while for the month of February last they totaled $53,000,000. This condition was largely brought about by the withdrawal of gold from South America, because of the Balkan War. In Argentina they have had the worst sort of panic for two years.

Ham in Buenos Aires costs $1.60 a pound. A can of peas, that would here sell for 15 or 20 cents, costs $1.40 there. A small-sized can of sardines, which would cost 10 cents here, brings $1.10 there, and all other eatables are high in proportion. These prices not only apply in Buenos Aires, but in all of South America that I visited.

MOTHER-IN-LAW INTERFERENCE.
—*Baltimore American.*

Some Economizing Is in Evidence.

BUT is world-wide depression bringing world-wide economy? There are in this country some evidences of increased saving by individuals. A "well-known captain of industry" is quoted as saying:

The growing tide of economy being practiced by individuals in this country and in Europe is the basis for the coming of better times. I know whereof I speak when I say that individuals are practicing economies. Clubs, garages, tradesmen, theaters, railroads, restaurants prove this statement. I have talked with the biggest men in these businesses and they have told me of the economies being practiced by all classes of society. Country houses and city homes are a drug on the real estate market and have been for some time past. This means thrift, forced in some cases, mayhap, but nevertheless it indicates the piling up of wealth which will be ready to pour forth its golden stream to oil the wheels of commerce when the really small things which are harassing the country, commercially, politically and financially, have passed.

The *Times* recently made a canvass of the leading savings banks of New York City with a view to discovering whether thrift was on the increase. The conclusion was reached that the poorer classes were saving more, but the so-called "middle class" was not:

In one of the great banks on the lower east side it was found that deposits for the first four months of this year are fully $900,000 greater than in the corresponding four months a year ago. At one of the more central banks, which numbers among its depositors representatives of both the middle and poorer classes, it was found that deposits from January 1 to date occupied substantially the same position as those of last year. The first case cannot fail to be indicative of careful saving on the part of the poorer classes, while in the second instance the student of economics may find proof that the middle classes are guilty as charged—extravagant.

Boston savings bank deposits have increased $8,000,000 in the last six months.

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Business Expenses Do Not Decrease.

WHILE individual economy is one important element in the situation, there are two others equally significant—National, State and Municipal expenses, and the cost of doing business. There is no evidence of any important decline in either of these directions. For example, a leading retailer of ladies' dress goods recently said:

The expense of doing business is steadily increasing. Rents and wages nowhere recede.

It was formerly declared that any retail dry goods merchant or department store, whose expense of doing business was 15 per cent. of his gross business, was unworthy of credit. Today the expense of doing business is 25 per cent. to 30 per cent.

An ordinary department store has to make an overturn of $10,000,000 per annum, with not too much floor space, before it can be considered much of a success.

FOR SALE.
—*Cleveland Plain Dealer.*

"Hand to Mouth" Buying Not a Sign of Hard Times.

IT has been customary to figure that buying in small quantities to meet immediate needs only, was a characteristic of hard times, and that the small stocks of goods resulting from this practice left a vacuum on the shelves of retailers which would have to be filled when better prospects induced larger buying.

The *Annalist*, however, after consultation with leading merchants and wholesalers, concludes that this hand to mouth buying is no longer an indication of hard times, but results from new conditions and new methods of retailing:

The retailer is no longer journeying but twice a year to New York, to Chicago, or St. Louis to spend the coin of his credit. The practice of "hand to mouth" buying is becoming universal. Every month or so the retailer comes to the large centers to look over the wholesalers' and manufacturers' stocks. He buys sparingly. Throughout the year his orders are frequent, but small.

The underlying factor of this changed method in business is something quite dif-

ferent from hard times. The swift changes of fashions, the demand of the consumer for fresh goods, the increased facilities of transportation, any and all of these are ascribed as the factors more efficient than hard times in bringing about this change in the methods of the buying world.

The wise little retailer has seen from his monthly and annual trial balances that by buying with good judgment—though "from hand to mouth"—he is turning over his capital faster than he used to. It does not require a knowledge of higher mathematics to see that this spells bigger profits that are not dependent entirely on selling prices. Furthermore, while the volume of his loans with the bank may be as great, they are for shorter terms and are likely to net promptly. Customers are attracted because they see fresh goods instead of those that are shop-worn. The merchant's stock is all cream now. The quantity of "skim milk" is becoming negligible.

This new business tendency is especially noticeable among the industries and dealers concerned with purveying the vast bulk of merchandise that clothes and feeds our hundred million inhabitants.

The World's Banking Conditions

France and Russia Still Taking Gold.

EXPORTS of gold from New York to Paris direct attention once more to the persistence with which foreign banks are piling up the yellow metal. It is the acknowledged and well settled policy of Russia to add materially to its stock of gold, and the French bank, in view of its low supplies, will also without doubt continue to accumulate. The London *Statist* comments on the situation in the following words:

We need not inquire here as to the motives. It is enough to say that the German Reichsbank last year set the example, and that the other great State Banks are following that example, as usually what is done by Germany is imitated by other countries. Therefore, we may take it for granted that the Imperial Bank of Russia will not pause in carrying out the policy upon which it has decided.

Up to now the Bank of France, with its usual calm judgment, has not rushed into the market to compete too eagerly for the gold offering. But it is to be recollected that practically one-third of the year has elapsed, and that, while Russia and Germany have added so immensely to their bank reserves, the Bank of France has moved much more cautiously. It is reasonable, therefore, to conclude that even if Russia is less eager in its purchases, which we do not ourselves expect, France will become more eager than she has been hitherto.

It is hardly necessary to add that at the beginning of last year the president of the German Reichsbank announced that he would certainly add 20,000,000 sterling to his gold reserve, and that he would like to add 35,000,000. He has not yet succeeded in reaching the higher figure, but the market should bear in mind that Germany seldom threatens what she does not mean to perform.

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How Much Gold Will America Lose?

THAT European banks will replenish their gold at our expense to some extent, cannot be doubted. Several English economists have estimated that America will lose many millions of gold as a result of the new currency law, by which our reserve requirements will be reduced and a good deal of gold released. On the other hand our new Federal Reserve Board will have considerable power to check the outward movement of gold by raising the discount rate—a power never before possessed by any authority in this country.

At present our trade is so dull that our bank reserves are redundant, so that gold can easily be spared. But it is generally believed that the new bank law will aid in a gradual expansion of our trade. Active business on this side would make a great difference in our money requirements.

Newton D. Alling, Vice-President of the National Nassau Bank, in an interesting interview recently predicted that the new law would help trade and keep it on a sound basis by maintaining a just balance between investment capital and liquid capital. Banks which are members of the Federal Reserve System can rediscount only those notes which arise from commercial transactions, and not notes based on securities as collateral. This will restrict loans on collateral to

banks and trust companies not members of the new system, thus preventing excessive loans on stock exchange securities and promoting general trade by the easy rediscounting of commercial paper within the system. At the same time, enough capital for collateral loan purposes will be available from institutions outside the new system:

A line should be drawn between the different character of desposits. That is, certain institutions should handle one and another class of institutions the other, just as savings deposits, which are an entirely different class from commercial or daily balance deposits, are kept in a different class of banks. I am referring particularly to investment deposits; that is, they are usually composed of investment funds of individuals or estates in course of transition from one investment to another, and are in larger amounts and less apt to be drawn on from day to day and should draw interest. Such funds it is a proper function of the trust company to handle.

With such a separation of deposits the investment or less active deposits could be used in making loans against stocks or bonds or real estate since, as investment funds, when withdrawn they are put into investment form and thus maintain the balance between funds to loan and securities offered for collateral. For it makes no difference whether the funds are loaned against the collateral or invested in the securities which make up the collateral.

The other form of deposits, i. e., commercial and current demand, which are made up of cash that firms need in the transaction of their daily business, and which individuals use in the settlement of their current personal and office bills, should come under a different category from the investment deposits and should be differently employed. They should be loaned against self-liquidating collateral; against current liabilities, or in simpler terms, against deferred payments, such as bills receivable and accounts receivable. Thus every time a note or account was paid, a discount or loan would be automatically discharged.

HADN'T THOUGHT OF IT.
—*New York Times.*

This view of the case is strengthened by the fact that very few of the State banks and trust companies throughout the country will join the new Federal Reserve System—in the State of New York, practically none, since the new state banking law gives these institutions really greater advantages than they would have under the Federal System. There is no likelihood, therefore, that there will be any real scarcity of funds for stock and bond market purposes.

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Federal Reserve Board Highly Satisfactory.

THE personnel of the Federal Board, as recently appointed by the President, is gratifying to bankers and investors generally. It is to be regretted that Richard Olney found it impossible to serve, in view of his wide reputation and great ability; yet this will probably make no difference in the actual efficiency of the board. Says the *Chronicle:*

Mr. Wilson has named W. G. P. Harding, president of the First National Bank of Birmingham, Ala.; H. A. Wheeler, vice-president of the Union Trust Co. of Chicago; A. C. Miller of San Francisco, at present assistant secretary of the Interior Department, but previously Professor of Finance and Economics at the University of California, and Paul M. Warburg, a member of the firm of Kuhn, Loeb & Co. of New York City.

There is no inefficient or unsatisfactory selection in this list. Messrs. Harding and Wheeler are experienced bankers, who will usefully represent their sections of the country. Dr. Miller, according to all accounts, is a broad-minded student of the banking question, and was able to give much useful and conservative assistance in the preparation and amendment of the law. The selection of Mr. Warburg is highly satisfactory, not least as proving that, in these important nominations, the president had dismissed the petty notion that no one in the high councils of the new banking organization ought to be drawn from Wall Street circles. Mr. Warburg was largely influential in the drafting of the Aldrich plan; it is known that a good part of that tentative measure, especially that which was incorporated into the present law, represented Mr. Warburg's handiwork. In his criticisms on the law as it now stands, Mr. Warburg has been courageous and useful. He opposed the creation of twelve separate

regional banks. But he also said, on the enactment of the law:

"There cannot be any doubt but that the enactment of this legislation will inaugurate a new era in the history of banking in the United States."

Apart from this, Mr. Warburg's special usefulness on the board will arise from his experience as an international banker, personally familiar with large affairs in the finance of this and other countries, with the operation of European central banks, and with the mechanism of foreign exchange—practical knowledge which is most essential in the novel task which will confront the managers of the new banking system, especially in such matters as determining the official discount rate in order to regulate the foreign exchange, to curb excessive home expansion or speculation and to limit an export movement or promote an import movement of gold.

Wars and Rumors of Wars

Bloodshed in Mexico and in Colorado.

WE have sent our army to Mexico, nominally to compel Huerta to fire twenty-one guns before we fire twenty-one, instead of shot by shot alternately, but really, the President tells us, to help the cause of humanity. It's a large order, and in the meantime there still remain a number of things to be done in the cause of humanity at home. For example, more American blood has so far been spilled in the Colorado miners' war than in Mexico.

The President hesitates to call our action at Vera Cruz by the ugly name of war, and without doubt he hopes to reach some settlement that will obviate the necessity of further hostilities. To the average observer this looks difficult. Yet the American nation does not want war with Mexico and really has little cause for one.

As regards the war, the stock market seems to be taking the position of hoping for the best but fearing the worst. William P. Bonbright & Co. have issued a timely circular on "Financial Market Conditions in War Time," covering five wars—Franco-Prussian, Spanish-American, the Boer War, Russo-Japanese, and the Balkan Wars of last year. They summarize the market effects of the five wars as follows:

Absence of disturbance until almost immediately before the commencement of hostilities. A sharp decline in security prices just prior to and usually accompanying the outbreak attended by increased demand for gold and higher money rates. Moderate restriction of commercial activity.

Early depression has generally been of brief duration followed by nervous and irregular price movements and subsequently by pronounced recoveries.

The period between the early depression and recoveries varies according to the prospect of the duration of hostilities, although as a rule the effects of war have scarcely been reflected before markets began to discount the re-establishment of peace.

Recent wars have been comparatively brief and they have not had the effect of depressing greatly mercantile conditions in the United States and England during their progress.

The effect of wars, both direct and through interrupted production, is frequently apparent in both commerce and finance long after war has subsided, although not always. The world-wide depression following the Franco-Prussian war and the buoyancy of American business following the Spanish-American war are conflicting precedents.

HANG ON, SON, HANG ON!"
—*Nashville Tennessean.*

Effect on the Money Market.

ONLY a slight stiffening of interest rates has resulted so far from the Mexican difficulties. The bond and mortgage markets have been more influenced than the call and time money rates, because these latest complications have added to the desire of investors to keep their money in liquid form. The improvement in bond prices which began with the year 1914 has been checked and New York mortgage rates have stiffened from a minimum of 4½ per cent. to a minimum of 5 per cent. Probably this is temporary. Murray Ogden Giles, of William A. White & Sons, recently had this to say about New York mortgages:

> The mortgage market for the last year and a half will go down in history as the worst ever known in New York City.
>
> Most owners whose mortgages matured this year have had their loans called, and found, upon trying to replace them, innumerable difficulties. New appraisals of their properties showed a decrease all the way from 10 to 25 per cent. They also found a tendency on the part of lenders to loan 60 per cent. instead of two-thirds, so that the general result was that to replace their loan necessitated their paying off a considerable sum of money.
>
> While we have been through a very bad mortgage market, two weeks ago it looked as if we were about at the end of it, as money was considerably easier and more plentiful and the rates of interest considerably lower. The present Mexican trouble has temporarily changed this condition of affairs, but I believe that in the course of the next month or two money will be very much more plentiful and interest rates much lower.

A QUEER SUIT FOR NON-SUPPORT.
—*Philadelphia North American.*

* * *

The Crisis In Colorado.

THE newspapers have given us only a superficial view of the Colorado strike, where the armed miners have fought the State militia to a standstill, women and children have been shot and burned in their wooden tents, and U. S. troops have finally been compelled to intervene. In a recent number of the *Annalist* Prof. E. R. A. Seligman, of Columbia, a thorough student of labor conditions, puts into a few words the full history of labor organization in the bituminous coal industry:

> The present contest must be viewed in the light of history. If we study the industrial development of the bituminous coal fields we find the following facts:
>
> A. During the sixties, seventies and eighties:
> 1. Local organizations and local strikes in Illinois, Indiana, Ohio and Pennsylvania.
> 2. Demands: (a) recognition of the union; (b) increase of wages; (c) nine and eight hour day; (d) abolition of company stores; (e) right to employ check weighmen.
> 3. Results: (a) recognition of the union; (b) right to representation in collective bargaining; (c) regulation of hours of labor, wages, conditions of labor and abolition of company stores; (d) amicable relations between the two parties.
>
> B. Strike of 1894:
> 1. First general strike over Illinois, Indiana, Ohio and Pennsylvania.
> 2. Causes: (a) general business depression; (b) adverse working conditions; (c) overproduction, etc.
> 3. Results: failure, due to competition from the unorganized fields in West Virginia and Pennsylvania.
>
> C. Strike of 1897:
> 1. Second general strike.
> 2. Causes: about the same as in 1894.
> 3. Results: (a) establishment of interstate joint conferences; (b) eight-hour day; (c) rise of wages; (d) inauguration of system of settling disputes that may arise.
>
> D. 1899-1900: Strike in southwestern field, comprising Missouri,, Kansas, Arkansas, Oklahoma and Texas.
> Results: (a) recognition of the union; (b) establishment of union scale of working conditions; (c) inauguration of another interstate joint conference like that in the central field.
>
> E. Between 1899-1914: System of joint

agreements has been extended to Kentucky, Tennessee, West Virginia, Michigan, Iowa, Wyoming, Montana, Washington and British Columbia.

General results in all States: (a) each party understands the handicaps under which the other labors; (b) a true co-operation; (c) frank business bargaining and control; (d) some degree of regulation of production; (e) equalization of competitive conditions between fields.

In England the history is precisely the same.

Thus in every case we find the following sequence of events:

1. Dissatisfaction of the miners with the conditions of employment.
2. A demand for collective bargaining through recognition of the union.
3. A refusal by the operators on the ground of the "sacred freedom" of the laborer.
4. A general strike.
5. A settlement through recognition of the union.
6. The introduction of business bargaining through periodical conferences.
7. A growing conservatism of the union and an increasing spirit of compromise on the part of the employers.
8. An approximation to industrial peace with satisfaction on both sides.

May we not well ask why should Colorado be an exception? Why should the operators or their supporters state that they regard the recognition of the union "as a matter of principle which cannot be arbitrated"?

Politics Still Bulks Large in the Investor's Eye

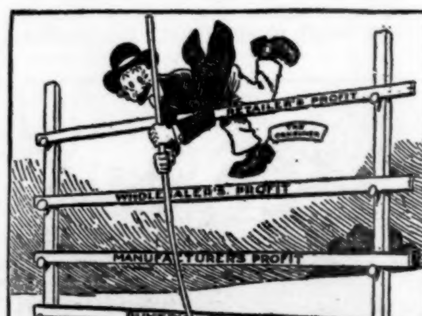
Anti-Exchange Legislation Makes Slow Progress.

IT is believed that the Cotton Futures Bill stands little chance of being passed by Congress. The Cotton Exchange itself has formulated and adopted new rules which remove some of the principal objections to its previous methods of doing business, and the pressure of other legislation in Congress is likely to crowd out this bill, in regard to the advisability of which Congressmen are by no means agreed.

The Owen Bill for the regulation of stock exchanges has been favorably reported by the Senate Committee, but does not appear to be on the President's own program for the session. The Stock Exchange opposes the bill. Its views are embodied in J. G. Milburn's brief. After describing the general business of the Exchange, he says:

The foregoing is merely descriptive of the daily transactions on the Exchange. It is what any one would see if he had eyes enough to perceive all the transactions that take place on any day. He would see purchases for investment; he would see sales on behalf of persons wishing to convert their securities for one purpose or another; he would see purchases and sales for the dealers in odd lots to meet the needs of the small investor; he would see purchases and sales for customers with a purely speculative purpose; he would see the floor trader buying and selling for the profit of the hour; he would see the arbitrageur selling securities that he has bought in London, or Paris, or Amsterdam, or Berlin, the same day, or buying here the securities he has sold on a foreign exchange the same day.

Every transaction is recorded, and the quotations that go out are the result of all of these manifold operations. They are the product of the judgments, temperaments, hopes, fears and doubts of the vast multitude that participate in them. It is a scene of competition; the conservatism of investment face to face with the enterprise of speculation; speculation in the expectation of a rise in prices with speculation in



THE CHAMPION POLE VAULTER.
—From Chicago Record-Herald.

the expectation of a fall; optimism with pessimism; and the resultant of this play of forces is the market price of the securities dealt in moment by moment, hour by hour. The Exchange is the crucible in which all these various elements are, as it were, chemically combined and concentrated to produce what we call market values.

All these elements are indispensable as supplements and correctives of each other. Eliminate speculation and the conservatism of investment would arrest the development of the country. Eliminate speculation in the expectation of a fall in prices and the danger of inflation of prices would be constant. Without the free interplay of all these forces a market would not perform its function of fixing values for the purposes of trade and commerce. To say that the swift, ceaseless stream of transactions in such a market as the Exchange is, or can be, polluted in its main body is to our minds absurd.

If this bill were to become law or any bill drawn along the same general lines there can be no doubt that the effect upon the Exchange would be revolutionary, both with regard to the character of its membership and its scope as a market.

WONDER IF HE'S STRINGING ME.
—Des Moines Register and Leader.

* * *

**Five Little Brothers—
Now There Are Three.**

THE "Five Brothers," or anti-trust bills, have been reduced to three and have been greatly modified and changed about, but the essential elements of the original drafts still remain. Many of the provisions of these bills are considered objectionable by a large number of business men and students of the subject, most of whom have no possible connection with the trusts and whose interests are in many cases directly opposed to the promotion of Big Business.

Of the three, the Trade Board Bill has been received with the most favor. It creates a bi-partisan commission of three members, which would take over the powers of the present Bureau of Corporations and Commissioner of Corporations, and would require reports from corporations, "excepting corporations subject to the acts to regulate commerce," —that is, the transportation companies, which are covered by other provisions. This Commission would, "upon the direction of the President, the Attorney General, or either House of Congress," investigate any corporation to see whether it is violating the acts relating to the restraint of trade.

"Reports made after investigation may be made public in the discretion of the Commission"; but "any person who shall make public any information obtained by the Commission without its authority" is to be severely punished, and "information not necessarily constituting a violation of law" shall be made public by the Commission "only by the direction of the President."

The bill places a heavy weight of responsibility on the discretion of the commission and of the President—a good deal heavier than would suit the corporations, of course.

* * *

**Are the Big Roads
To Be Dismembered?**

THE first of the three bills, covering additional anti-trust legislation, interlocking directors (outside the railroads), and injunction and contempt proceedings, was summarized in these colums last month. The third bill, covering railroad stock and bond issues and interlocking directors, is vigorously abjected to by railroad men. Judge Lovett has expressed the opinion that it would probably break up the existing great railroad systems. It is thus summarized by the *Times:*

First—A provision requiring railways, before issuing stocks and bonds, to obtain authority for such issues from the Interstate Commerce Commission.

WILL SHE LET HIM HAVE IT?
—*Columbus Sunday Despatch.*

Second—A provision requiring full publicity, through the Interstate Commerce Commission, of all facts bearing on the issuance of railway stocks and bonds.

Third—A provision making it unlawful for any person to hold the post of officer or director of more than one railroad.

The last of these provisions reads as follows:

"Unless the previous approval of the Interstate Commerce Commission shall have been secured it shall be unlawful for any person to hold the position of officer or director of more than one carrier subject to the act to regulate commerce."

This, it is believed by the Republican critics of the bill, is fraught with danger to the big railroad corporations, because it might empower the Interstate Commerce Commission to order the dissolution of practically every railroad system made up of more than one line.

* * *

Twelve Millions for Railroad Valuation.

IN an article in *World's Work,* Charles A. Prouty, who is in charge of the valuation of the country's railroads, estimates the cost of the work at possibly $12,000,000 and the time needed at six or more years. Yet he thinks the cost will be trifling compared to the value of the result:

Though this is a large sum, it is the merest trifle compared to the enormous values involved. The total capitalization of our railroads at the present time is nearly twenty billions of dollars. It has recently been estimated that these securities at their present market value are worth from fourteen to fifteen billions. The cost of this work, therefore, cannot exceed from one-tenth to one-twentieth of one per cent. of the value ascertained, a sum utterly insignificant in proportion to the magnitude of the thing dealt with.

When any investor can know from reliable sources the exact character of his investment; how much it would cost to reproduce the property; in what state of efficiency that property is being maintained; above all, what is the value of that property for use as a railroad, there has been injected into railroad securities an element of certainty and of permanency which does not now exist. It seems to me therefore that this work of valuation will be of incidental benefit to the railroad investor and so to the general public.

The *Wall Street Journal* presents the other side of the case—beginning, as it were, at the other end of the problem of establishing values:

There is just one way in which the valuation of the railroads can be made, and it is done already. The prices in the Stock Exchange are the only conceivable means of making an equitable valuation. They cover everything, and, in the broadest sense, they cannot be manipulated by the politician or the capitalist.

It is quite true that a single stock can be manipulated for a time, to give it a partly fictitious price. A powerful financial interest might conceivably manipulate a small group of stocks. But all the banks and financiers in New York put together could not manipulate the entire list, or even 2 per cent. of it. This is one of the reasons why every effort should be made to retain an absolutely free market in the Stock Exchange. There is just one trustworthy value for a railroad or a rolling pin. It is what it will fetch in the open market.

* * *

Willard Hopes for Rate Increase.

DANIEL WILLARD, President of the Baltimore & Ohio and spokesman for the roads in their efforts to get permission to raise their rates five per cent., is frankly hopeful of the result. It is announced that the commission's decision may be expected late in May or early in June. The roads are ready to end any rate abuses that may be found, with the co-operation of the commission. The argument for higher rates seems so strong that it is hard to imagine how the commission can refuse to grant the increase. Taking the roads of the country as a whole, surplus for dividends has been falling for nearly a dozen years:

MORE WATCHFUL WAITING.
—New York World.

Year.	Capital stock all railroad (in thousands)	Surplus for dividends (in thousands)	% on stock
1914	$8,857,078*	$245,291*	2.77*
1913	8,715,587	396,724	4.55
1912	8,469,560	357,283	4.22
1911	8,470,717	378,688	4.47
1910	8,113,657	471,362	5.81
1909	7,686,278	413,612	5.38
1908	7,373,212	328,473	4.46
1907	7,356,861	479,849	6.51
1906	6,803,760	457,060	6.72
1905	6,554,557	373,263	5.69
1904	6,339,899	327,445	5.17
1903	6,155,559	357,033	5.80

*Estimated.

* * *

**Investment Bankers
And the Blue Sky Laws.**

IN some quarters the Investment Bankers' Association has been represented as opposing "Blue Sky" legislation. It has opposed certain kinds of "Blue Sky" legislation and has been the means of having such legislation tested and in some cases condemned by the courts. But this does not mean that it is opposing the real purposes of such legislation. The following statement by President Caldwell makes the position of the Association clear:

The Investment Bankers' Association is whole-heartedly in sympathy with the aim of the so-called blue-sky laws. This aim is to put a stop to the selling of fraudulent securities to destroy the "fly-by-night" dealers in oil and mining stocks, and reduce to the minimum of approved business honesty the "get-rich-quick" opportunities that have robbed the people of untold millions. Our members have more to gain from good laws directed to this end than any other class in the community; in fact, one of the chief purposes of our Association in its inception in 1912 was to "protect against loss by crime or through irresponsible dealers in investment securities, and to surround the offerings of its members with greater safeguards."

We had, however, hardly got into the harness to work out an effective policy, before the country was deluged with literature advocating the so-called Kansas blue-sky law. No attention whatever was paid to the real difficulties of the subject. The Kansas law was said to have worked. It read well on the surface, though upon analysis it was a crazy-quilt cure-all impossible of operation. In 1913 this law with various changes was rushed through a number of legislatures, with little thought and less regard for its practical enforcement. The Kansas law was directed and in some ways suited to the regulation of wild-cat promotion concerns promising 100 to 1,000 per cent. profit, and concerns creating and selling various forms of accumulative bonds and stocks against promotion and investment properties required for that purpose.

Had the law been confined to these concerns, no one would have questioned it. It might not have proved an unmixed blessing, but it would have been workable, and have affected a relatively unimportant and perhaps undesirable business. But it was not so confined. Every business firm and corporation raising money for its legitimate needs was included within its terms, and subjected to prohibitive regulation. It could not borrow money, without applying to a state officer for investigation and approval, nor if he thought it insolvent or its plan of business or proposed contracts unfair or unjust. As the court has held, it required the state to approve not only the security, but the price at which it is sold. Imagine applying this principle of executive government to the ordinary transactions of business! The keen business man could not buy or sell, borrow or loan, if a particular state official thought the price too high or the terms unfair.

The result was that the Investment Bankers' Association, whose first object it was to further effective action against fraud, was compelled to take the lead in attacking the chief laws that had been enacted with this ostensible object. It has not been a pleasant task, nor an easy one, nor is it finished. But we are beginning to see daylight, and to get back to the job of helping sound legislation.

Valuing a Stock by the Balance Sheet

Forecasting Its Position by a Method Seldom Used

By VICTOR GRANVILLE

IN studying the intrinsic values of stocks balance sheets are much neglected. People have gotten into the bad habit of looking always at what the stock is earning, and seldom or never at the question whether the management is on the one hand accumulating a surplus, or on the other running into debt. It is natural enough that they should do so, since in the past balance sheets have generally been so fictitious in their valuations as to be of practical value only to the expert accountant or analyst. Even now it is a rather general practice to overvalue the physical properties on the asset side of the sheet enough to counterbalance the water in the capital stock on the liability side. Indeed, there are many kinks in the make-up of an ordinary balance sheet, which tend to deceive the thoughtless or the hasty.

With all these shortcomings, nevertheless, the yearly statements of assets and liabilities, especially of railroad companies, are well worth studying. Often they show the trend of affairs even before there is any great change in the apparent surplus earnings. Those who carefully followed the changes in balance sheets need not have been caught in the New Haven slump, or in the collapse of the St. Louis & San Francisco stocks. If the investor is going to judge by one item only, doubtless the most important item is the surplus for dividends, but it is certainly undue carelessness to look at only half of the evidence as to what the given stock is worth.

No matter how much surplus a company is earning, if the management is spending the money faster than it is being earned, the company is sure to get into trouble; and the beauty of a balance sheet is that it shows how fast the management is spending money or accumulating it. At least that is what it should show. Subject to some qualifications, and with due analysis, it really does throw a great deal of light upon the matter. Confining ourselves to railroad companies, it is worth while to observe some of the principal points.

First, it is both unnecessary and unwise for the investor to try to make deductions from the statements of capital assets, such as road, equipment and structures, for the relation of these to total capitalization seldom carries any particular significance. If the statements showed the actual salable value of capital assets, they would be most enlightening, but they ordinarily do not. The items, therefore, which throw the most light upon security values are those items which compose **current assets** on the one side, and **current liabilities** on the other.

Without any caustic criticism of bookkeeping methods, the reader must remember that a railroad has a right to make up its statements of assets and liabilities much as it pleases. Hence, instead of accepting at their face value the "working assets" or "current assets" as frequently given in railroad reports, he should figure the totals himself from the individual items. Current assets are those assets whose form or amount is constantly changing in the natural course of business. They include such items as accounts and bills receivable, cash, materials and supplies, traffic and car service balances, balances due from agents and conductors, accrued income not due, and certain deferred debit items.

Current liabilities include only those which in the natural course of business are constantly being liquidated out of earnings. Among the principal items

are bills and accounts payable, traffic balances due to other companies, audited vouchers and unpaid wages, unpaid interest and dividends, accrued liabilities not due and certain deferred credit items. No enumeration of these items can possibily cover the case fully, and the investor must stick to the general definitions in determining each item. In the course of the following comments on individual companies, some of the more common deceptions wittingly or unwittingly practised in balance sheets will be observed.

The New Haven dividend reduction occured in May, 1913, and therefore the investor had several months in which to study the 1912 balance sheet before acting upon it. Ignoring the book statement of "working assets" and comparing the sheets of 1911 and 1912, it appears that in 1911 the real net working capital of the company was about $3,721,909, whereas on June 30, 1912, the company apparently had no working capital and was in debt to the extent of $11,875,497, or thereabouts. One cannot state these matters flatly, because of the necessity of adding together the individual items of the current assets and current liabilities respectively, and of including therein some items, the full significance of which is known only to the auditors.

However, the New Haven has made the practice of including in its total of working assets certain "marketable securities"; and while it has the perfect right to do so, many of these, and probably all of them, are not in the ordinary meaning of the English language working assets. For example, the Boston & Maine stocks were so included, and these were absolutely capital assets obtained principally by exchanging New Haven stock for Boston & Maine. These, therefore, have to be eliminated, and the slump in the financial condition of the company from the possession of a net working capital of nearly $4,000,000 June 30, 1911, to the owing of a net debt of nearly $12,000,000 a year later was quite enough to have made the conservative investor exchange New Haven into some other stock without delay.

The Boston & Maine balance sheets were less obvious. The one of 1910 was the latest one through a study of which the investor could have saved himself from very serious losses. This showed a net working capital of about $3,676,035, as compared with $5,803,-692 a year previous. Now, a decline may occur without indicating an unsound financial condition, and therefore this decline requires analysis. There were two things wrong about the Boston & Maine situation. First, the working capital was entirely too small. As of June 30, 1910, the net working capital of all the roads in the United States was about $1,412,901,808, while their gross earnings for the year were $2,750,667,435. Hence, the average or typical road has a net working capital—this being obtained by deducting current liabilities from current assets—equal to about one-half of its yearly gross earnings.

It is quite consistent with a sound financial condition for the working capital to be much less than this, if other conditions are favorable. For instance, the Southern Railway June 30, 1913, had a net working capital of only about $5,746,108, whereas its gross business was $68,529,490. However, it had on hand cash to the amount of $8,-295,928, and besides this it was and is earning a sufficient surplus after dividends so as to be able to support new bond issues without inconvenience.

Substantially, therefore, the case is this: When the net working capital of a road gets down to less than a fifth of its yearly gross business, its financial position must be studied with extreme care. It should then show a large amount of cash, certainly a sum equal to not less than 5 per cent. of its yearly gross business. Besides this, it should continually show a sufficient surplus after dividends to enable it at one and the same time to put at least a third of its total surplus for dividends back into the property, and to support additional capitalization. The second point above referred to regarding the Boston & Maine is that its surplus after dividends was so small

that it not only could not support any additional capitalization, but could not even put a third of its total surplus for dividends back into the property. The necessity for being able to put earnings back in this manner lies in the fact that maintenance charges seldom or never fully maintain the property without deterioration. On this account the railroads of the United States during the ten years ended with 1909 put back into their properties 48.28 per cent. of their total surplus for dividends.

The pith of the above remarks is that a road in order to be in a sound condition positively must have either the actual working capital, or else the earning power with which to support new bond issues whereby that working capital can be obtained. The Boston & Maine even on June 30, 1910, did not by any means meet these simple common sense requirements, and a study of its balance sheets would have given an unmistakable warning to investors. Its present position is even more discouraging.

The St. Louis & San Francisco in 1909 showed a net working capital of $329,719, in 1910 a net debt of $7,219,895, and in 1911 a net debt of $1,586,471, so far as one may judge from the balance sheets. No matter what excuses may be given, it is never a safe proposition to buy the stocks of a company whose current liabilities exceed its current assets, and this was the case with the Frisco for two years prior to the collapse. However, if the company divorces itself from the New Orleans, Texas & Mexico, in which most of the money was lost, and from the Chicago & Eastern Illinois, it will be in a fairly good position. That is to say, the Frisco itself has earning power enough to earn a moderate surplus after charges. One of the principal items of current assets in its 1909 account was construction advances to subsidiaries, and it may be mentioned that such items may very properly be included, provided only the subsidiary possesses undoubted ability to repay the loan.

Missouri, Kansas & Texas, which has just recently passed its preferred dividend, proved itself by its 1913 balance sheet to be dependent solely upon current earnings. Otherwise expressed, the net working capital June 30, 1912, was apparently $1,688,034, while a year later it was only $199,241. With no net excess of current assets to fall back upon, dividends could properly be paid only out of current earnings, and the moment the monthly reports showed that dividends were not being earned the preferred stock became an unsafe investment. Nevertheless, it looks fairly attractive as a speculation for the long pull, since there appears to have been no bad management, and the property itself contains much promise. The greatest need is for a general expansion of business in the territory served by the road.

Under existing financial practices it is sometimes difficult to know whether or not to include note issues among current liabilities. Equipment trust notes should certainly not be included, but as a general rule others should or should not according as they represent capital or current outlays. If a note issue is used in place of a bond issue to supply money for permanent improvements or other permanent outlays, then the notes do not constitute a current liability.

Of the $25,000,000 Missouri Pacific notes which mature June 1, $9,200,000 were used for paying off a floating debt, $8,000,000 for the purchase of equipment and the making of improvements, and $2,100,000 for supplying needed cash capital. In theory about half of the notes represent current liabilities, and the other half capital liabilities; but in fact the neglect of the property had been so great that the whole sum may properly be included in current liabilities. That is to say, the amounts paid out of earnings for maintenance and depreciation were so much too small that it would at least take the entire note issue to make up the difference. This places the company at the mercy of current earnings, and the surplus after charges for the fiscal year to end June 30 promises unfortunately to be equal to only about half of that of last year.

Western Maryland, too, has gotten into an unfortunate position. Its net work-

ing capital appears to be only about $394,420, as compared with $2,065,599 June 30, 1912. This road, like the Missouri Pacific, is placed at the mercy of current earnings, and these are decreased for the time being by the unsatisfactory condition of trade, to say nothing of the high cost of labor.

The very purpose of this discussion is to find ways to safeguard the investor against stocks which are likely to slump, and it is thus natural that the discussion has been devoted largely to the unfortunate railways. However, balance sheets are equally valuable in selecting stocks which are likely to appreciate. For instance, they show that the Southern Railway is in a good position financially, and the Erie in a strong position. To invest without a study of balance sheets is to remain half blind to dangers on the one hand and opportunities on the other.

RAILROAD DIVIDENDS

Estimates of Amounts Earned on Various Stocks Based on the Earnings Figures for Nine Months Ended March 31.

No. in Bank.	Nine Months' Earnings on Yearly Basis.	Earned on Stock at Par.	Market Price.	Earned on Market Price.	Dividend Rate.	Yield.
1	Buff., Roch. & Pitts......	14.45	109	13.25	6	5.5
2	Seaboard Pfd............	6.92	54	12.81	4	7.4
3	Brooklyn Rapid Transit†.	9.16	92	9.96	6	6.5
4	Great Northern Pfd.....	11.25	123	9.15	7	5.6
5	Union Pacific............	14.12	156	9.05	10	6.5
6	Canadian Pacific.........	17.12	192	8.92	10	5.3
7	Central R.R. of N. J.....	26.64	310	8.59	12	3.9
8	Minn. St. P. & SS. Marie	10.26	122	8.41	7	5.8
9	Atlantic Coast Line......	10.14	121	8.38	7	5.8
10	Norfolk & Western......	8.71	104	8.37	6	5.8
11	Louisville & Nashville...	11.54	134	8.06	7	5.2
12	St. Louis So. W. Pfd....	4.58	57	8.04	2	3.5
13	Southern Pacific	7.30	91	8.02	6	6.6
14	Hocking Valley	9.73	126	7.73	7	5.5
15	Atchison	7.28	95	7.66	6	6.3
16	Delaware & Hudson.....	10.83	150	7.22	7	6.0
17	Northern Pacific	7.90	110	7.18	7	6.4
18	Chicago & North Western	9.37	131	7.15	7	5.4
19	St. Paul Common........	6.86	98	7.00	5	5.1
20	Pennsylvania	7.57	111	6.82	6	5.4
21	Lehigh Valley	9.14	139	6.58	10	7.1
22	Illinois Central	6.88	110	6.26	5	4.6
23	Baltimore & Ohio........	4.71	91	5.18	6	6.6
24	New York Central.......	4.72	93	5.08	5	5.4
25	Reading	7.78	166	4.69	8	4.8
26	Chesapeake & Ohio‡.....	2.03	50	4.06	4	8.0
27	Pitts. C. C. & St. Louis...	3.28	81	4.05	3	3.7

*Estimated by H. G. Niedermeyer for Tefft & Co.
†Brooklyn Rapid Transit is figured on last annual report.
‡The actual earnings on Chesapeake & Ohio are.... 5.23
Reserve for improvements........................ 3.20

2.03

The Art of
Interpreting Financial Conditions

By G. C. SELDEN

XI—Iron, Steel and the Stock Market

THE close relation between the price of iron and the price of stocks is an old story to investors, having been commented upon by nearly all writers on market subjects. Yet if any one has carefully traced out the connection between the two year by year during any considerable period, I have never happened to hit upon the discussion.

The principle on which the relationship is based is as follows: The price level of the stock market depends, broadly speaking, on the supply of capital for investment in new enterprises or in the extension of old ones. New enterprises and extensions practically always involve new construction. Iron is the principal material used in new construction. Hence the price of iron follows the price of stocks.

It is especially to be noticed that the price of stocks does *not* follow the price of iron. This is where investors are sometimes led astray. They reason: "Iron is declining. The steel trade is depressed. This is bearish on stocks." That is perfectly true most of the time. But when improvement or retrogression begins it appears in the stock market before it shows in iron or steel.

The general course of the stock market predicts broad swings in the price of iron with surprising accuracy, but the price of iron does not predict the movements of stocks—it follows them. This is a point that the investor needs to understand thoroughly.

THE RECORD FOR TWELVE YEARS.

The lower half of our diagram brings out this relation very clearly. There is no proportion between the length of the swings in the price of iron and the price level of stocks, but in the four "tops" shown during the twelve years iron has in each case struck its highest price a few months after stocks had started downward from approximately their highest level.

There is less regularity at the bottom, but in a general way we find that in each instance the stock market is well advanced on an upward movement before iron shows any real tendency to rise.

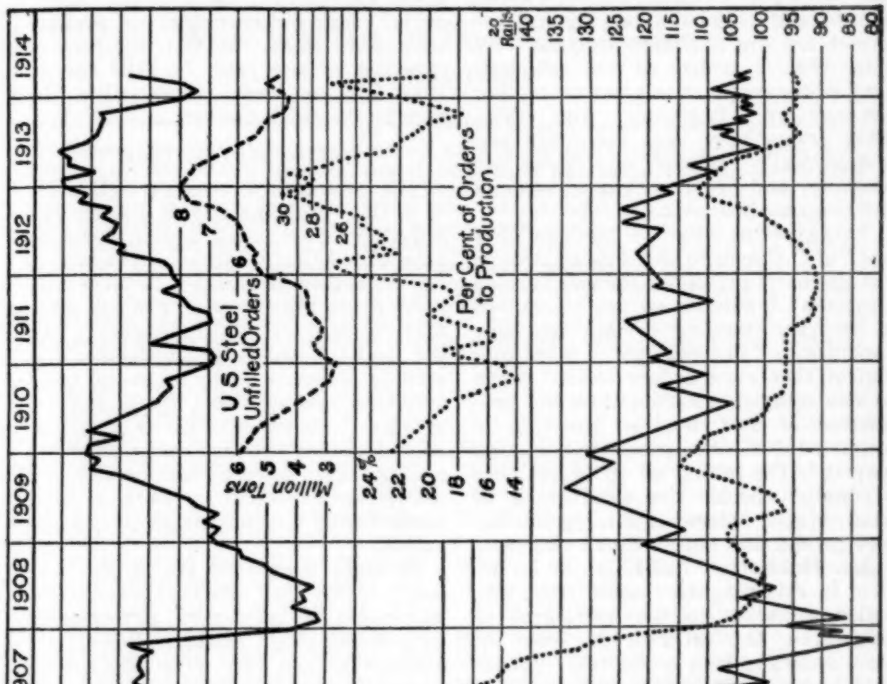
The investor may, however, get some help from a broad view of the pig iron situation. A very sharp rise in the price of iron, as in 1902, 1906 and to a less extent in 1912, is a danger signal to the holder of stocks. This is because it indicates over-extension in industrial lines. Over-extension means absorption of capital, and that means withdrawal of capital from security markets.

Also, after a long period of dullness and low prices for iron, the investor may know that a period of expansion will be the next thing on the program and that such a period will be accompanied, and to some extent preceded, by an upward movement in stocks. Just when this improvement will start and how far it will go he cannot tell from the pig iron market. He must draw upon other sources of information in order to reach an approximate decision on those points.

The figures on the production of iron are of no help to the investor in judging the culmination of a boom, because production keeps up on a good scale until long after both stocks and the price of iron are on the down grade. In a period of dullness, however, as we noted last month, the production of iron begins to increase before the price begins to rise; so that a steady increase in production after a depression is a very favorable sign toward a better stock market.

UNFILLED ORDERS.

The unfilled orders of the United


MONTHLY OF PIG IRON PRODUCTION
PRICE OF PIG IRON
AVG. PRICE OF 20 RAILS
20 R.R. STOCKS
U S Steel Unfilled Orders
Million Tons
Per Cent. of Orders to Production
Millions of Tons
1902
1903
1904
1905
1906
1907
1908
1909
1910
1911
1912
1913
1914
20 Rails

States Steel Corporation were of very little value previous to 1910, because they were given out only once in three months and included a varying and unknown amount of "inter-company" orders—that is, orders of one sub-company of the corporation given to another sub-company. Beginning with 1910, these orders have been uniformly and systematically compiled and given out monthly, and are therefore shown on the diagram herewith.

This gives us only one "bottom" and one "top" shown in the unfilled orders, but the basic principles involved are so clear that I believe we are warranted in at least drawing certain tentative conclusions. For example, it is entirely logical that steel orders should begin to rise somewhat earlier than the production of iron, because the iron is produced to fill the orders. In the same way it is the falling off in orders that gradually checks the production of iron. Hence orders begin to decline before production shows much decrease.

Mr. Haliburton Fales, Jr., in an article in this magazine some time ago, called attention to the usefulness of calculating the ratio or per cent. of steel orders to iron production. So far as I know he entitled to the credit of originating this idea, and it is a valuable one. This per cent. has been calculated and added to our diagram.

It will be noted that the movement of this line of "Per Cent. of Orders to Production" gives an earlier indication of the approaching swing of the "minor cycle" than either orders or production taken alone. In fact, the turn of this line of per cent. in 1910 and in 1912 followed very closely after the turn in the stock market.

THE PRESENT OUTLOOK.

The period of depression which set in during 1913 has almost exactly followed the customary course down to date of writing. Pig iron production has probably declined nearly if not quite to its lowest point, and the same may be said of unfilled orders. The per cent. of orders to production has already shown a sharp recovery, most of which has been lost again, but the upward tendency is likely to be resumed before any further serious decline occurs. The price of iron would naturally be expected to work a little lower before any important advance is scored.

In other words, we are in the "hollow" which has always preceded a movement of expansion, accompanied by a rising stock market. We cannot attempt to say just when the expansion will definitely begin, but we are, I believe, warranted in predicting that the next important swing will be in upward.

(*To be continued.*)

Hints for Investors

A GOOD investment for you depends upon how much capital you have to invest, how much you can put away and other similar considerations. All these things should be given their proper consideration.

BROADEN your knowledge of the securities you hold. They may be ever so good, but if you are not sure of that fact you cannot rest easily.

IF you buy bonds for investment and the income to be had from them then it is always time to buy them. If for profits then only occasionally so far as the general market is concerned. But, of course, there are always opportunities for selection with a long look into the future as objective.

The Farm Mortgage

What It Is and Its Investment Position

By W. D. HORD

Note.—The Farm Mortgage Bankers' Association just formed on the same principle as the Investment Bankers' Association began with some two hundred leading dealers in this class of investment. The farm mortgage is practically unknown by the great body of investors in the east which have been brought up to buy only bonds and other corporate securities. In the West whence most of these mortgages come they are widely known and held by many conservative investors. The purpose of the new organization is to widen the field for this investment, standardize the security, and do many other things as shall place it upon the highest plane of investment worth. A campaign of education in sections as yet untouched is on the programme. In this article Mr. Hord is most elementary in his explanation in the belief that it will be read by many unacquainted with the first principles of farm mortgages. Subsequent articles will take up their investment position more fully.—EDITOR.

THIS is no attempt to enlighten those who know just what constitutes a farm mortgage. The number of those who do know is comparatively small, however. I believe there are many investors who hesitate now that would be quick to place a part of their funds at least in farm mortgages if they were thoroughly acquainted with the character of this class of investments. The degree of ignorance on this subject is remarkable. The real merits of this foundation security are little appreciated. A broad claim it is indeed to make, but "The farm mortgage is to the security family what the Bible is to the book family." The latter is the Book of Books, while the farm mortgage is the security of securities.

Before we discuss the farm mortgage let us define the farm itself. It will be to the advantage of the comparatively few who do not know just what it is. The great majority of people know, of course, what constitutes a farm. They understand it to be a parcel or piece of land consisting of anywhere from one acre to thousands or hundreds of thousands of acres. To simplify matters still more, let us first define an acre briefly. As a farm consists of any number of acres.

An acre of land, if laid out in a square, requires 208 7/10 feet each way. One acre would make a very small farm. The average farm, particularly in the West, consists of something like one hundred and sixty acres, or a piece of land one-half mile each way. A section, one mile square, contains 640 acres, therefore 160 acres is one-quarter of a section. A township is thirty-six sections, or six miles square. The sections are all numbered, one to thirty-six, commencing at the northeast corner, thus:—

The sections are all divided in quarters, which are named by the cardinal points, as in section one. The quarters are divided in the same way. The description of a 40 acre farm would read:—The S. E ¼, N. E. ¼, of section one, in township 24, north, range 7 west (or as the case might be in any other section or township) all in the county of ——— and state of ———. Thus, if you were considering the purchase of this farm and desired to see it personally, it would be an easy matter to do so. No matter what state it might happen to be located in. Every county in the United States has its records, maps, etc., where any one is permitted to look them over. They are, in other words, public property. To find a certain described piece or parcel of land you must first be in possession of its legal description. This in hand you locate the county in the state where the farm is. Go to the county court house, where all records are kept, where county officers, especially the county assessor, can show you, on the map, the exact location of the farm. He can tell you just how

many miles and the direction to go from the court house. It is well to know who lives on the farm, for in making inquiries in a rural district, unless it be a late comer, nearly every farmer knows his neighbors for several miles around. Thus you can locate the farm.

6	5	4	3	2	N.W. ¼ N.E. ¼ S.W. ¼ S.E. ¼
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Now for the mortgage on the farm. Let it be either a mortgage or a bond secured by a mortgage, it is an evidence of debt. This evidence of debt is secured by the owner of the farm assigning his interest in this farm to the one who loans him a certain sum of money, as a guarantee that he will meet the interest and prepay the loan when the same falls due.

One of the first, and, we might say, most important things to consider and indelibly fix in mind is this: "The nation's wealth is the farm. Farming is the basic industry upon which all our civilization rests." Read that quotation again. A mortgage on a well located, productive farm has many points of excellence and some superior aspects in comparison with other securities. Why?

Because, in a farm mortgage the investor has the actual and tangible evidence of value. He can view his security, and by its productiveness and accessibility to markets he knows that the value is there permanently and cannot be taken from it. Droughts or too much rain may occasionally reduce its earning value, floods may hamper its operation, but invariably the pendulum swings the other way, and the land is found to be producing as before, and setting up a standard of wealth by which all other forms of securities must be measured. The farm mortgage covers nothing that is not real and tangible property.

Just for illustration, we will select an average farm, say consisting of one hundred and sixty acres, or one-quarter section.

Today this particular quarter section is held in fee simple by one John Smith. He owns it outright, having acquired title by cash payment or other valuable consideration. For the sake of brevity, we will assume there are no clouds or defects in the title, and that Mr. Smith is in peaceable possession of the farm.

The real money value of this farm is computed by what it will produce. Let that be grain, stock, timber, minerals, or whatnot. Next consideration is whether the farm is on a good road, and how accessible it is to market. For example, we will appraise this farm at $50 per acre, or $8,000. Taking everything under consideration, this farm is worth $8,000.

In this day farming is being reduced to a science. Mr. Smith therefore sharpens his pencil and begins to figure how to make that farm produce double and thereby double its value. He figures first he must live on it, that it may have close attention. Certain parts must be drained. Fences must be built to divide into fields and enclose pastures, that he may be able to alternate crops and pasture stock, etc. To do this, he must raise the necessary capital, just the same as if he were going to embark into a mercantile business. How is he going to do it. His farm is worth $8,000; 40 per cent. of $8,000 is $3,200, or less than one-half the present value. He makes application for and receives a loan of $3,200. To the loan company that advances the money, he, jointly with his wife, if he happens to be married, assigns his title

by giving a trust deed or a mortgage as security for the loan on his entire farm of one hundred and sixty acres. In other words, the loan company is now in possession of title to a piece of property conservatively appraised at $8,000, and has advanced only $3,200, leaving an equity of $4,800 to the farmer as a guarantee that he will prepay the loan when due, which is usually for a term of five years. It should be remembered the $3,200 is borrowed for specific purposes, which are almost invariably set forth in the application for the loan, and become a part of the contract. He must return the amount to the farm by way of improvements, thus making the farm worth, instead of $8,000, $11,200. The land is there, the mortgage is no drawback to its producing qualities; the money is expended in improvements, and the farm produces in greater abundance, hence, as a security for the loan it becomes a stronger security.

The mortgage itself is evidenced by the paper that goes on record in the county where the farm is located. The first mortgage put on a farm to secure a loan, is the first lien thereon. If a second or third mortgage is put on it, they in no way depreciate the value of the first mortgage. If anything, they operate to the advantage of the owner of the first mortgage. For in the event of foreclosure, the owners of the second or third mortgages would naturally bid the price up in order that they would be protected. Then it also shows that the appraised value of the farm is right, or no one would consider making a loan on a farm with a first mortgage on it, if there was not sufficient equity in it to justify the second or subsequent loans.

Accompanying the mortgage there is the principal note, which is of even date with the mortgage. The principal note shows the date of its maturity, and if not paid at that time, the mortgage, or trust deed, as the case may be, is foreclosed. Here is where the company making the loan steps in and protects the purchaser of this mortgage.

Accompanying the principal note are the coupon notes, or the interest notes. In most cases these notes are due and collectible every six months, starting from the time the mortgage was made. There are as many of these notes as it requires to cover the number of years the mortgage has to run.. If the interest is payable annually, and two for each year where the interest is payable semi-annually. The notes are made out for 6 per cent. of the amount of the loan, if payable annually, and 3 per cent. if payable semi-annually. The principal note and all coupon or interest notes become due and payable immediately, should any of the latter not be paid on the day they are due.

Whatever may happen, one of two things occurs to protect the investor in a farm mortgage from loss. He either gets his money returned in full by the loan and trust company with interest, or the court will give him title to the real estate, if he so desires, usually worth more than double the amount of the loan. The possibility of loss is very slight where a loan has been negotiated by one of our responsible loan and trust companies.

Europe and Our Securities

Is There Strong Potential Buying Power Abroad Now?

By HALIBURTON FALES, Jr.

IT is frequently stated that the confidence of European bankers, investors and speculators in American stocks has been so severely shaken that its return is problematical. A few even go so far as to say that confidence has been so severely shattered that it never will return. A list of harrowing incidents, they say, accounts for this, such as the receivership of the St. Louis & San Francisco R. R., just after the flotation of a note issue in France, the demise of the Rock Island, the exploitation of the New Haven, the Rumely flotation, the hostile attitude of the Government towards corporations and capitalists, and the anti-trust bills. The dilemma of the railroads under conditions of increasing expenses and declining business seems, when one reflects upon it, of sufficient cause to establish the contention of the pessimists. I cannot, however, help from believing otherwise.

The question as to whether a European buying movement of our securities will develop is of the greatest importance in determining the extent of an advance in our security markets. First of all, however, it opens up the question as to whether Europe is able to buy; next, will she buy; of whom, and when?

Glance at the following tables showing the banking position of each, which is the foundation of its position in the security markets, and answer the first question for yourself.

Unquestionably Europe is able to buy, unless that increase in gold accumulation is earmarked. In other words, unless it has been and is being accumulated to be spent for something else. The main question, however, has been answered. Europe is able to buy.

If the gold accumulations of the European banks are abnormal, for what purpose are they being built up? A study of the various amounts of gold held is absorbing. Germany and England show the largest increases. They are the foremost industrial countries of Europe and both countries' industries are much depressed. Under such conditions, accumulations would be the natural result. Germany announced her intention of getting together an emergency war fund of $50,000,000—a year ago—pretty fair warning. If a war should come, will it be with Russia? If so, France is making very little effort to help her ally against her enemy, certainly not much of an effort when the exchange rate at present on this country is sufficiently high to enable her to draw gold much more cheaply now than when she drew it in quantity three separate times last year, and certainly if there were to be a war between Russia and Germany, Austria would be involved under the terms of the Triple Alliance.

But Austria, near the eve of the death of her Emperor, sits complacently by. Her gain has been but $10,000,000 since the first of the year, while England, always on her guard, has suffered a loss on April 30 of $20,000,000 since the high of the year in March. If Russia's store of gold has been purposely accumulated it is probably because of her $1,000,000,000 for railroad development, and to assure herself political and economic independence for carrying out her designs in the Far East. It certainly does not seem as if the war alarmists had much reason for their fears.

The answer that Europe is able to buy effectually answers the question as to whether she will buy. She will. And the next question is of whom. I have little hesitation in saying that she will buy from us. A year ago the answer might not have been so positive, but since that time a lot of things have hap-

GOLD HOLDINGS.

MILLIONS OF DOLLARS.

	England.	France.	Germany.	Russia.	Austria.	Total.
March 26, 1912	186.2	782.8	297.0	619.3	319.5	2,204.8
March 26, 1913	177.8	741.5	294.6	660.4	295.0	2,169.3
January 2, 1914	160.5	800.2	336.1	737.1	304.8	2,338.7
March 26, 1914	198.8	821.6	393.4	760.6	312.4	2,486.8
Per cent. advance						
Over 1912	11.8%	11.1%	13.4%	11.5%	10.6%	11.46%
Over January last	24%	3%	17%	3%	2.5%	6%

pened. Argentina has had a "Rich Man's Panic." Brazil was but a few weeks ago in the throes of a collapse, and France is now loaded nearly to the utmost with perfectly good unsalable undigested and indigestible Brazilian paper. Western Canada is still suffering from a regular Kansas land boom. Mexico's troubles are hardly settled yet. Russia's industries have collapsed, and last November, following the failure of seven Indian banks, the Bombay Stock Exchange closed for repairs, while since that time the Union of South Africa was for a time placed under martial law because of labor troubles which are doubtlessly not yet settled permanently. China has caught the revolutionary habit, and except for Australia, which I have overlooked, the map has been pretty well plastered with such signs as "business conditions unsettled" in true Babsonian fashion.

Looking over the list of casualties, therefore, there seems to be no reason why there should be any prejudice against the United States as a field for European investment, the more especially as the rest of the world, including pretty much all Europe, has *since* passed under a cloud from which the United States is now emerging as from a sunshiny April shower, although the storm is still overhanging others.

Our difficulties are for the most part things of the past. Easy money has come, without doubt the most powerful lever working for improvement that can be found. Political prospects as regards prospective legislation are undoubtedly greatly improved. The administration is worried over the state of the country's business, less it react unfavorably upon itself. It is not only worried, it is scared. The present condition of Mexican affairs has diverted the country's attention from the anti-trust bills, which, from too much discussion, have gone stale, and have largely ceased to be a matter of public interest. The earning power of the country appears to be on the mend, many railroads in March showing substantial increases, while the earnings which the roads have concealed to some extent at least, through large maintenance expenditures, in order that they might make a good case before the Interstate Commerce Commission, have served not only to keep the roads in good condition for any increased business, but will also enable the roads to *show* remarkable improvements in net almost any time it seems advisable.

With the prospects of large crops this year, the situation, at the present low level of prices, appears crammed full of bullish possibilities.

Europe *will* buy—the movement may start any day. Peace in Mexico, the victory of American arms in Mexico, a favorable decision in the rate cases, an unfavorable decision in the rate cases, increased railroad earnings, definite news that the Missouri Pacific or the Rock Island will not go into the hands of receivers or will work out of their difficulties, defeat or failure of some piece of radical legislation, good crops, or the operation of the new currency system may set the movement off in full swing.

BOND DEPARTMENT

Safety First

What Does It Mean in Bond Investments?

By FREDERICK LOWNHAUPT, Author of "Investment Bonds," etc.

WE hear a good deal nowadays about safety. "Safety First" is the new railroad slogan that is ringing all over the land. The public is demanding it. The railroads are trying to give it. Therefore they say they must have more money with which to carry the programme out. All through industry it is becoming the keynote. The red ball sign for danger is all over every steel plant and manufacturing concern. Ocean steamship lines and others have spent millions in equipping their craft with much new life saving apparatus in response to the call for better protection since a great sea disaster. In a hundred ways is the idea being disseminated as never before.

Applicable in this way more directly it has found its way into the parlance of investment. Not that the idea of safety emphasized is anything new in investment, but the use of a catchword like this as applied to the buying or trading of investments has given new zest to the idea.

The peculiar and interesting part of the whole matter is that the great majority of investors, and for that matter investment dealers, use this phrase with only a vague conception of its import and certainly only poorly defined ideas as to its application.

THE PHRASE ANALYZED.

We will therefore analyze the phrase as applied to bond investments endeavoring to ascertain what it means, for whom it is of paramount importance, the art of adapting it to each case, what elements make safety, and some ways of measuring its extent or degree.

First let us see what it means. It is a relative matter. That is to say, there is no standard of measurement. For a number of reasons this is so. Because investments are issued, bought and exist under so many varying circumstances it is impossible to take the yard stick of value or safety that can measure one group of securities and apply it to another. This may be considered the fundamental reason for the relativeness of safety in various groups of bonds, that is as between municipal, railroad, industrial, timber, irrigation, public utility and other securities.

An arbitrary standard that is often taken by investors and bond men alike is the amount of income a security yields. You frequently hear bond men and investors say that if a security yields a certain low rate of return it is "absolutely safe." They go on the theory that say four and one-half per cent. in bonds, whether they be railroad, municipal or other kind, means a similar degree of safety in all. By this token then, if you have the rate of return given you can make up your mind quickly as to the amount of safety involved, whether it be railroad, municipal, utility, timber, irrigation bond, farm or improved real estate mortgage. As a matter of fact five per cent. from these different classes of investments means some very different degrees of safety.

There can be a standard of safety that is workable and reasonably developed for

each class of bonds, but not one for all. Every class has its own peculiarities. As showing that it is not the amount of income that is alone the determinant of the degree of safety involved, it should be remembered that market conditions for the securities of any group securities differ. That is to say the market conditions act as part of the influence that makes finally the amount of income the bond will yield the investor. It can be that one bond yielding five per cent. is fully as safe as another of another class yielding a half per cent. less, but the market for the first is different, possibly narrower, so that the effect is felt in the income that the bond must return.

BASIC FACTORS OF SAFETY.

Let us look therefore at what constitutes the groundwork of safety in the various classes of bonds. These are the fundamental factors. They are the causes of safety. The income is nearly all the effect of these causes. But not quite. Market and a few other considerations enter to make the income yield what it is.

That safety is a relative term is not more clearly demonstrated than by the fact that when it depends upon laws as in the case of municipal bonds it is generally very high. Here the bonds are protected by laws that limit the amount that can be put out, the way they can be issued and many other aspects, all of which have been so standardized in principle that the investor knows generally that he is getting a high grade investment. Because of this fact the standard income on this class of bonds is low.

In contrast to this the bond that depends upon a single individual largely must of necessity be a risk commensurate with the fallibility of the man's judgment and many other personal factors of great uncertainty. Take a bond that is issued upon the business of a mercantile house. In this case there are other factors to be sure, but it will be seen that the personal element enters so largely that the degree of safety, however good the business is at the moment, is far from that of the municipal bond which is hedged about by rigid limitations.

Expand this idea somewhat and consider that the bond is the obligation of a company controlled by a group of individuals. Here we have a fundamentally better situation since a group of persons are better in judgment and not subject to so many uncertainties as the single person. There are many industrial companies whose business goes along steadily and is not affected much by general conditions wherein we get a certain amount of safety better than where one man is so much of a factor, but still less than in municipals.

Still another aspect of the question of safety is where the company is vitally affected by changing economic conditions such as trade movements. The industrials come under this head. In this class we must have a bond protected by a goodly margin of earnings to make it really safe. It will be seen that where changing business conditions are so apt to make inroads on earnings the element of safety again varies. All these show that there are some fundamental facts that must be considered when discussing the safety of a bond and that the amount of income is only a partial guide or index to the amount of safety contained in a bond or group of bonds. The income method of measurement of safety is greatly but not altogether sufficient.

TO WHOM IMPORTANT.

The second matter for inquiry is to whom safety first is of the greatest importance. Or how does its importance vary with the different types or classes of investors.

In the final analysis there are but two kinds of investors, individuals and institutions. Each of these subdivides into various groups, to each of which some different observations on this matter apply.

First there are the institutions that buy bonds according to a prescribed course. They are principally the savings banks. In most states they are limited to certain securities either by class, or description. The highest standard is set by New York and Massachusetts. It is recognized that safety is practically of the first importance for them. Buying with other peoples' money they must not be left to much individual judgment in the selection of securities. The character of the money left with them makes it imperative that income be shaved down to get the high-

est degree of safety. In fact it is of wisdom that they be restricted to certain classes of bonds wherein there have been developed standards that meet the approval of the best investment judgment. It is true that following them or at least the restrictions set for their guidance one can not go very far astray in the matter of safety.

Then there is the other class of institutions that buys on judgment such as trust companies, building and loan associations and others. Safety first is not their shibboleth. Insurance companies buy under some restrictions but they, like many of these other institutions, lean toward income as far as possible without losing sight of the safety idea.

Then there are the various kinds of individual investors. They are of all shades and descriptions. There is the kind that lets his banker tell him just what he should have, the kind that looks for outside advice and then goes to his banker with the ideas gained and lastly the kind that acts entirely upon his own judgment with possibly a fourth type who buys because some clever salesman sells the securities to him. But if we want to divide our individuals up into a still different classification there are those who can afford to take securities having a large admixture of risk like the business man with a continuous flow of good profits from his business or the man of large wealth, the person who has a modest income or savings, and the groups of people like professional workers, school teachers. Lastly there is the class of people dependent upon their securities for an income. Safety as a first consideration is not necessary for all these people. It is well for the business man to have a good income, but he must balance his investments with some things of unquestionable safety. On the other hand, these last named must give safety a preeminent place in heir buying. The incongruity of it all is that the very man who can afford to take a small income on any bond because of the large total of all his investments is the very one who can by reason of his flow of income take the risk that inheres in the securities yielding a high return. On the other hand, the widow or the person dependent on a small income, who should have more, is exactly the one who gets the least because of the necessity of holding the highest grade securities.

There is therefore this element of personal position that determines to a large degree the amount of safety that should be sought in an investment. Safety first is absolutely the rule for one. Shading of this begins immediately with those who can afford to take some loss. So it is evident that adapting the phrase to the numerous types of investors gives opportunity for fine work in investment selection. The institution with trained men in securities needs much safety but not first in all its investments; the business man can take a little less of safety than some others because he can watch his investments and often has the judgment to know how to diversify them properly; the professional man or woman whose training in business is limited and who does not appreciate the various factors that go to make a good or bad investment cannot afford to take much risk, while the person absolutely dependent upon income from securities, if they be modest in amount must look for safety first and foremost leaving the question of income to make its own place. For the investor who cannot, will not or may not do his own investment thinking, safety first is the keynote.

In conclusion let us look at a very vital factor in the investment market that does not always get its due emphasis. There has been a changing relationship between income and safety over the past dozen years not because of the change in intrinsic position or value of many bonds, but because of the changing rate of interest demanded for capital. That is to say whereas then 3½ per cent. on many railroad bonds represented the acme of safety in this class of security, now the same grade of security is yielding in the neighborhood of 4½ per cent. The railroad bond returning this latter amount then was no better than the one giving three-quarters to a whole per cent. more now. Something of this change exists in all classes of securities. The degree of safety has not changed materially, but the rate of income has risen substantially.

Bond Market Topics

The Gist of What Was Said and Done for Over a Month

Will Farm Mortgages Get a Hold in the East?

Early in May there was a big gathering of farm mortgage dealers from all over this country and Canada. They have caught the idea that the investment bankers originated of forming an association for mutual help and for the extension of the farm mortgage idea as an investment. In the West farm mortgages are a staple security. In the East not so. People in the East have been brought up on stocks and bonds and notes. They have been educated more or less to the idea that there is some mystic charm in marketability. For this they have paid a price always. Some have paid heavily.

The story of farm mortgages is a big one. No short space like this can give the points of superiority advanced by their sponsors. These dealers are going now to make a strong bid for eastern money. They are going to endeavor to show eastern capital that with proper safeguards there is no better security in the world than a good farm mortgage. They are going to show that safety is a big element and that with this you can get much more than you can think of getting of a security of equal return of a different character such as stocks and bonds.

This much is certain, they have practically a virgin field. The East has yet much to learn about farm mortgages as investments. Many in the East have all to learn about them, our financial writers included. There have been a few attempts to do a farm mortgage business in the East, but they have not been widely successful because largely of the lack of systematic education on the security itself. If the farm mortgage dealers are going to make substantial inroads in the new field they must go about a tremendous campaign of education. With proper direction there is no reason why much success should not crown their efforts. There are undoubtedly many investors who would buy short term farm mortgages if they were properly presented. And then some financial institutions might be persuaded to come in with a small slice of their great hoards. It will be interesting to watch the progress of the movement.

The Big Municipal Loans Went Well.

Away back in February the bond market waited on the result of the fifty million dollar sale of New York State bonds. In April it took something of a cue from the results of the big sale of $65,000,000 bonds by New York City. A few things the bond people often seem to forget about these big bond sales. One of them is that the very offering of so large an amount is a practical forerunner of its success. For do not the officials of both State and city go among the big bankers and confer with them as to the advisability of issuing so large an amount? If money and investment conditions were not reasonbaly right for the consummation of such an enormous transaction there would be little likelihood of the attemot.

If conditions were not auspicious we might see the authorities putting out smaller amounts, some different kind of short term obligation or refraining altogether for the time being.

The two big loans that went well in April were this New York City issue and the Baltimore offering of $7,000,000, which was taken by a scattered syndicate. The prices the cities got for them were good, an indication of the strong condition of the investment market. It was an indication, really, that the investment market was stronger than it was active. It was a further indication that the start municipal bonds got some months ago gave them such an impetus that they have not stopped going yet.

It was a most opportune time for such big loans because of the doubly favorable circumstances of an easy money market and a good demand for just such high class securities as these are. If the general market had been more active they both would have been swallowed up in an instant. If the success of these municipal issues is any criterion of the relation of the present to the future of the bond market we may expect a broad and strong market in the coming months. Such continued strength in the demand for high grade municipals seems to warrant the bond men in believing that it is the first stage of a big market.

War Talk and the Bond Market.

As if the bond business had not slowed up enough during the past three or four months comes along the scare that the country would go to war. In itself the war would not necessarily be any reason for investors taking fright. But the investor is a peculiar psychological study. He gets frightened and did this time more as a result of his fearful imaginings than anything else. The bond men noticed it plainly. Witness the case of a salesman who had a sale of five hundred bonds of a single issue practically sold to an institution which had nearly a million of dollars awaiting permanent investment. The sale was ninety-nine per cent. consummated. Along came the alarming news that we were virtually at war with Mexico. The securities committee sat down hurriedly and decided just as fast that they would cancel the trade and await the outcome of it all. They were just looking far ahead when the money markets might be affected by belligerency

when they might want to be in a better position to use these funds. And so from all directions came the reports of salesmen that the war news was by no means good for their business and that investors in substantial numbers had decided they would sit by and see what happened. The bond men were told in many cases that funds were available for investment but that the uncertainty of conditions which had now been aggravated by the war talk would close up the purse strings. Of course there were some exceptions to this situation. Almost on the same day that one institution cut out its half million dollar trade another large insurance company took on nearly two millions of dollars of high grade bonds. Just a difference in the point of view apparently of those handling the funds in the respective places. So long as war talk survives it is bound to have some effect on the investment markets for the sentimental reason already discussed and further for the reason that a war would mean some swift changes in money current on account of possible loans to finanace the conflict.

Can the Bond Market Become Anything But Better in the Near Future?

In times like these when most bond men are wondering if they diagnosed the situation rightly a few months ago when they thought the bond business would run right along in good volume through the Spring because of the money ease, there arises once in a while someone who proclaims loudly his optimism. Another may be utterly pessimistic. Each one has special reasons for his judgment. But when one comes along with the conclusion that whichever way events turn nothing but good can come out of it he is entitled to an especial hearing. Here is what a bond house has to say of the trend of events and their effect on the investment market:

"1. If we are in for a spell of hard times, which bid fair to come unless the Interstate Commerce Commission shows a genuine bigness and breadth in the handling of the rate situation, then bonds must inevitably sell higher for reason that in times of great business depression money seeks bond investment because of the scarcity of other profitable uses of money.

"2. If the Interstate Commerce Commission rises to the occasion and gives us the freight rate increase, thus paving the way for a return of prosperity, then we think bonds will sell higher because of the operation of the new currency bill.

"If our new currency law is to serve one purpose above another, it is to give us a fair average money rate the year through and a good many financiers and economists believe that 4½ per cent. money will in the course of time become an established factor in American banking. If money is to be reasonably plentiful for all needs at reasonable rates, then it is undoubtedly true that bonds must sell higher because there must always be something of a parity between money rates on the one hand and the yield on high grade bonds on the other. Certainly we have never known the time when money was plentiful at 4½ and 4¾ or 5 per cent. with bonds selling on a basis to yield 5 or 5½ per cent.

"To put it in the simplest terms we believe that whether we are to have good times or bad times, bonds are tremendously and unnecessarily low at this time."

Bond Offerings

Recent Investment Offerings of Merit

West Penn Traction Co.

$6,000,000 three-year 6% notes. Due March 1, 1917. The territory of the company is in western Pennsylvania, Ohio and West Virginia. The company does the lighting, power and traction business of 125 municipalities throughout this region. Has over 20,000 customers. Population directly served in excess of 900,000. Operates 314 miles street railway, fifteen power plants, three hundred miles of transmission lines. For the year ended December, 1913, there was applicable to the payment of interest on these notes $822,626. Expected this will be exceeded in future. Notes issued to liquidate certain indebtedness incurred for new properties, etc. Security for the notes is 125% of West Penn first mortgage bonds and other securities. The notes were offered at 99 by A. B. Leach & Co. and Continental and Commercial Trust & Savings Bank.

City of Los Angeles, California.

$2,240,000 4½% harbor bonds. Issued for funds to provide municipal wharves. Net debt of city 2¼% of the assessed valuation. Debt limit is 3% of the assessed valuation of real and personal property. Population and assessed valuation of city have increased about ten times in 25 years. City owns property worth about $25,000,000 more than bonded debt. Bonds payable serially. Legal for New York and New England Savings banks. Free of Federal income tax. Offered by E. H. Rollins & Sons.

State of Louisiana.

$3,000,000 5% serial bonds due from 1920 to 1954. A general obligation of Louisiana issued under proper authority and adopted by vote of the people of the State for the purpose of operating and erecting warehouses, etc. Offered by N. W. Halsey & Co., Wm. R. Compton & Co. and Interstate Trust & Banking Co. to net the investor 4.60%.

Practical Talks to Investors

VI—Big Income and Great Safety Are Seldom Found Together

IT'S a hard problem that many an investor has to face. He wants a good, large income from his investment, he wants to be able to sell it quickly in case he needs the money, or as an alternative, he wants to be able to borrow on it readily and finally he wants it to be thoroughly safe. An ideal combination to be sure, but not yet attainable. You can get any two of these elements in combination, but you cannot get all three. Especially is this true when income and safety are given their relative position.

The first question that comes up is, What is a big income? In the early days of bonds seven per cent. was not considered so very high. It is very high now. Any bond that pays seven per cent. today is not only not a good investment, but it is a dangerous speculation. Any bond that pays six per cent. may not be so bad and yet may be pretty much of a speculation. There are some bonds yielding six per cent. or slightly over that that come very near being a highly speculative proposition, while there are others that are really fair investments. Among these latter you can find quite a few utilities issues.

When you get below six per cent., which is really not so big an income after all, you begin to get varying shades of safety right in the same income. For instance there is many a utility bond yielding five and one-half per cent. that is a whole lot better than some other railroad bond giving the same return.

The question of how much safety is in a security yielding a given amount of income cannot be definitely stated especially when the security is in what might be called the "twilight zone" between the very low yield such as you get on a high grade municipal bond and the very high return of the railroad or industrial or other bond whose company is on the ragged edge of receivership most of the time.

Now the average investor cannot get himself to believe that anything over six per cent. return on a bond is really high. Many investors are business men who can make as high as twenty per cent. on their capital in business. To them six per cent. is not high and four and one-quarter per cent. is positively ridiculous.

This much must be remembered that the money that goes into bonds is concentrated capital and it is the kind which does not want the risks of the working capital of a day to day business. Therefore the standard has been hammered down through the years so that now we come to associate something around four and one-half per cent. at the most as representing the highest safety. And it does. There are many bonds notwithstanding that yield over five per cent. that are never likely to default. They are practically safe. Theoretically they are not as safe as the others of lower return. It should be remembered that what the investment writers are talking when on the subject of safety is the theoretical position. Act by the theoretical standard which is ultra conservative and you will never get into trouble. Act by the practical standard and you will get some more income but you will have to use real judgment. Go after really big income and you will have to take the risks which experience has shown accompanies.

Hints for Investors

DO not get the idea that bonds of a class like, say Public Utilities, are pretty much the same. They vary greatly. There is a large number of varieties of such bonds of this general class. No rule will fit any two bonds because the conditions in each case differ. The class of the bond does not mean anything in the matter of security. That must be judged by further considerations.

IF you care to study into the matter of capitalization already issued or new capital about to be issued it is well to remember that a company whose earnings are steady and fluctuate comparatively little furnishes more reliable data for the banker than one whose earnings are jumping up and down between wide limits. It is a little study that helps in the selection of newly offered securities.

The Bond Buyer's Guide

IN the following table are arranged in order of yield the principal active issues of bonds listed on the New York Stock Exchange, the income being figured at the latest available selling price for lots of 20 bonds or more. They are divided into groups, according to the grade and character of the bonds.

This table will appear every other month, and will prove invaluable to bond buyers, as well as to brokers and to all others who are called upon to select or recommend investments. It is presented for purposes of comparison only, and mention of a bond issue is not to be construed as a recommendation. Our object is merely to show the relative yield of different bonds of each of the several classes.

RAILROADS:

(1) High Grade mortgage bonds, many of which are legal investments for New York State Savings Banks.

Description.	Due.		Interest Period.	Price May 15.	Yield.
Missouri Pac., 1st cons. g. 6s	N.,	1920	M.—N.	103½	5.35
B. & O., P. L. E. & W. Va. Sys., ref. 4s	N.,	1941	M.—N.	87½	4.83
Chesapeake & Ohio, gen. g. 4½s	Mch.,	1992	M.—S.	93⅜	4.83
Wabash, 1st gold 5s	My.,	1939	M.—N.	103½	4.76
Southern, 1st cons. g. 5s	Jl.,	1994	J.—J.	105¼	4.75
Wisconsin Central 50-yr. 1st gen. 4s	Jl.,	1949	J.—J.	87¾	4.72
U. P., Ore. Short Line, 1st cons. g. 5s	Jl.,	1946	J.—J.	107¾	4.54
Hocking Valley, 1st cons. g. 4½s	Jl.,	1999	J.—J.	99¼	4.53
Baltimore & Ohio, prior 3½s	Jl.,	1925	J.—J.	91½	4.49
U. P., Ore. Short Line, 1st g. 6s	F.,	1922	F.—A.	110⅛	4.48
Southern Pac. R. R., 1st ref. 4s	Ja.,	1955	J.—J.	92½	4.40
Illinois Central, 1st ref. 4s	N.,	1955	M.—N.	92¾	4.38
U. P., Ore. Ry. & Nav., cons. g. 4s	Je.,	1946	J.—D.	93¾	4.36
Chic., Mil. & St. Paul, gen. 4½s. Ser. C	My.,	1989	J.—J.	103	4.36
Chic., Mil. & Puget Sd., 1st gen. 4s	Ja.,	1949	J.—J.	93½	4.36
So. Pac., Cent. Pac., 1st ref. gen. g. 4s	Ag.,	1949	F.—A.	93¾	4.35
Louisville & Nashville, unif. g. 4s	Jl.,	1940	J.—J.	94⅞	4.34
Chic., Burl. & Quincy, general 4s	Mch.,	1958	M.—S.	93⅜	4.34
Baltimore & Ohio, gold 4s	Jl.,	1948	A.—O.	94¼	4.32
Louisville & Nashville, unif. g. 4s	Jl.,	1940	J.—J.	95	4.32
Atlantic Coast Line, 1st g. 4s	Jl.,	1952	M.—S.	94¼	4.31
C., B. & Q., Illinois Div., 4s	Jl.,	1949	J.—J.	95	4.27
Chic. & N'West., gen. gold 3½s	N.,	1987	M.—N.	82¾	4.26
N. Y. Central & Hud. Riv., g. 3½s	Jl.,	1997	J.—J.	82⅞	4.25
Union Pacific, 1st & ref. 4s	Je.,	2008	M.—S.	94½	4.24
Reading Co., gen. g. 4s	Ja.,	1997	J.—J.	94⅞	4.23
Chic. & N'West., gen. 4s	N.,	1987	M.—N.	94¾	4.23
Central of N. J., gen. g. 5s	Jl.,	1987	J.—J.	117½	4.23
Norf. & West. Ry., 1st cons. g. 4s	O.,	1996	A.—O.	95⅛	4.21
Northern Pacific, prior l. g. 4s	Ja.,	1997	Qu.—J.	95¼	4.21
Atch., Top. & S. Fe., gen. g. 4s	O.,	1995	A.—O.	95⅝	4.19
Union Pacific, 1st R. R. & land gr. g. 4s	Jl.,	1947	J.—J.	97	4.17
Penna. R. R., cons. g. 4s	My.,	1948	M.—N.	101½	3.92

(2) Collateral trust bonds selling at prices relative to the value of the underlying collateral, and the general credit of the issuing company.

U. P., Ore. Short Line guar. ref. 4s	D.,	1929	J.—D.	91	4.87
Mo., Kansas & Texas, 1st g. 4s	Je.,	1990	J.—D.	87½	4.59
Sou. Pac. Co. gold 4s. (Cent. Pac. coll.)	Ag.,	1949	J.—D.	90¾	4.53
Atl. Coast Line, L. & N. coll. g. 4s	O.,	1952	M.—N.	90¾	4.51
Lake Shore, coll. g. 3½s	F.,	1993	F.—A.	78½	4.49
Gt. Northern, C. B. & Q., coll. tr. 4s	Jl.,	1921	J.—J.	97¼	4.27

(3) Convertible bonds having no mortgage lien, whose quotations are affected by the price changes of the stock into which they are convertible.

Chesapeake & Ohio, conv. 4½s	F.,	1930	F.—A.	81⅛	6.40
Erie, 50-yr. conv. 4s. Ser. B	Apl.,	1953	A.—O.	71	5.91

Erie., 50-yr. conv. 4s., Ser. A	Apl.,	1953	A.—O.	72¼	5.80
Southern Pac., 20-yr. conv. 4s	Je.,	1929	M.—S.	86⅛	5.33
N. Y., N. H. & Hart., conv. deb. 6s	Ja.,	1948	J.—J.	111	5.30
Baltimore & Ohio, 20-yr. conv. 4½s	Mch.,	1933	M.—S.	91½	5.21
So. Pac. 20-yr. conv. 5s	Je.,	1934	J.—D.	101	4.92
Union Pac. 20-yr. conv. 4s	Jl.,	1927	J.—J.	91⅝	4.87
Chic., Mil. & St. Paul, conv. 4½s	Je.,	1932	J.—D.	101½	4.38
Atch., Top. & S. Fe., conv. g. 4s	Je.,	1955	J.—D.	95	4.26
Norfolk & Western Ry., conv. 4½s	S.,	1938	M.—S.	103⅝	4.26
Atch., Top. & S. Fe., conv. 4s. (issue of 1910)	Je.,	1960	J.—D.	95½	4.22

(4) Debenture bonds selling on a level commensurate with the general credit of the respective companies.

Chic., St. Paul, M. & O., deb. 5s	Mch.,	1930	M.—S.	103	4.73
Lake Shore, deb. g. 4s	S.,	1928	M.—S.	92¾	4.71
N. Y. Central & Hud. Riv., deb. g. 4s	My.,	1934	M.—N.	91	4.70
Lake Shore, 25-yr. gold 4s	My.,	1931	M.—N.	92¼	4.67
Chic., Mil. & St. Paul, 25-yr. deb. 4s	Jl.,	1934	J.—J.	92	4.62

(5) Semi-investment bonds, many of which are general mortgages, often classified as "business man's" investments. Income yield is reasonably definite index of relative worth.

Missouri Pacific, 1st & ref. conv. 5s	S.,	1959	M.—S.	66¾	7.54
Missouri Pacific, 40-yr. g. loan 4s	Mch.,	1945	M.—S.	58½	7.40
Seaboard Air Line, adj. 5s	O.,	1949	F.—A.	76	6.81
Chic., Rock Is. & Pac., ref. g. 4s	Apl.,	1934	A.—O.	74½	6.25
St. L. & S. F. R. R., K. C. Ft. S. & M. Ry., ref g. 4s.	O.,	1936	A.—O.	75¾	5.97
Western Maryland 1st g. 4s	O.,	1952	A.—O.	72½	5.80
Southern, develop. & gen. 4s., Ser. A	Apl.,	1956	A.—O.	73½	5.66
Chicago Gt. Western, 1st 4s	S.,	1959	M.—S.	73½	5.63
St. L. & San. Fran. R. R., ref. g. 4s	Jl.,	1951	J.—J.	76⅛	5.52
Erie, 1st con. gen. lien g. 4s	Ja.,	1996	J.—J.	73	5.51
Denver & Rio Gr., 1st con. g. 4s	Ja.,	1936	J.—J.	81½	5.47

STEEL BONDS.

Bethlehem Steel, 1st & ref. 5s., guar. A	My.,	1942	M.—N.	87⅜	5.93
Rep. Iron & Steel, 10-30 yr. 5s. s. f	Apl.,	1940	A.—O.	93¼	5.49
Illinois Steel, deb. 4½s	Apl.,	1940	A.—O.	87⅞	5.37
Bethlehem Steel, 1st ext. s. f. 5s	Ja.,	1926	J.—J.	99¼	5.08
National Tube, 1st 5s	My.,	1952	M.—N.	100	5.00
Indiana Steel, 1st 5s	My.,	1952	M.—N.	101½	4.91
U. S. Steel Corp., s. f. 10-60-yr. 5s. coup	Apl.,	1963	M.—N.	102⅞	4.85

TELEGRAPH AND TELEPHONE BONDS.

Pacific Tel. & Tel. 1st 5s	Ja.,	1937	J.—J.	97⅝	5.18
Am. Telep. & Teleg., coll. tr. 4s	Jl.,	1929	J.—J.	88¾	5.08
N. Y. Telep., 1st & gen. s. f. 4½s	N.,	1939	M.—N.	97¼	4.68
Am. Tel. & Tel., 20-yr. conv. 4½s	Mch.,	1933	M.—S.	99	4.58

MISCELLANEOUS INDUSTRIAL BONDS.

Third Avenue adj. inc. 5s	Ja.,	1960	A.—O.	79⅝	6.38
Interbor. Metrop. coll. 4½s	Apl.,	1956	A.—O.	77½	5.96
The Texas Co., conv. deb. 6s	Ja.,	1931	J.—J.	102½	5.77
Va.-Carolina Chem., 1st 15-yr. 5s	D.,	1923	J.—D.	95⅞	5.57
Am. Smelt., Sec. s. f. 6s	F.,	1926	F.—A.	103¾	5.56
Westinghouse E. & M., s. f. 5s	Ja.,	1931	J.—J.	94¾	5.49
Am. Hide & Leather 1st s. f. g. 6s	S.,	1919	M.—S.	102½	5.42
General Motors 1st lien 6s	O.,	1915	A.—O.	101	5.30
U. S. Rubber, 10-yr. coll. tr. 6s	D.,	1918	J.—D.	102⅞	5.27
Inter. Rap. Trans. 1st & ref. 5s	Ja.,	1966	J.—J.	99	5.06
Central Leather, 20-yr. g. 5s	Apl.,	1925	A.—O.	99⅝	5.05
Am. Agricul., chemical 1st c. 5s	O.,	1928	A.—O.	99½	5.05
B. R. T. 6 yr. secured notes 5s	Jl.,	1918	J.—J.	100	5.00
Lorillard Co. (P.), 5s	Ag.,	1951	F.—A.	100½	4.97
Liggett & Myers, tobacco 5s	Ag.,	1951	F.—A.	101½	4.91
Third Ave. 1st ref. 4s	Ja.,	1960	J.—J.	83½	4.91
Western Electric, 1st 5s	D.,	1922	J.—J.	101⅞	4.73
B. R. T. 1st ref. conv. gold 4s	Jl.,	2002	J.—J.	90½	4.43

PUBLIC UTILITIES

Public Service Commission Regulation

Its Benefits to the Investing Public and the Public Utilities

By ARTHUR ST. GEORGE JOYCE

COMMISSION regulation of Public Utilities has been discussed from many angles, and in the final analysis the judgment of those who know has almost universally been that where this regulation is equitably enforced and the regulatory acts are of a kind which inspire confidence, both from the general public and the utilities, such commissions are of material benefit to all concerned.

There has been a great deal of regulation within the last few years. Figures show that an average of one State a month enacted laws last year creating these commissions. Supervision by State and municipal governments seems to be the order of the day. Government ownership is talked of in many sections and some municipalities have gone into the business of operating street railway, electric light and power plants. But a record of their progress has shown very clearly that it is not only impracticable, but virtually impossible for municipal ownership and operation to succeed with the utilities plants in the hands of politicians and others who know so very litle of the business they are trying to conduct.

The utility corporations do not object to regulation by State or municipality. On the other hand, they welcome it. Experience has shown that in most of the States wherein this supervision is in force, there has been a desire on the part of the commissioners to look at conditions in a common sense light, and give recognition to the fact that the corporations as well as the general public have rights which ought to be respected. These commissioners have shown a decided tendency to deal fairly with the corporations and while there have been handed down some decisions which the utilities operators and managers have regarded as unfair and extremely radical, there have been others—and, fortunately they have been in the majority—wherein the commissioners have dealt with delicate situations in a very commendable manner.

In this connection I might add that there was recently brought to my attention decisions of commissions in more than a half dozen States in which rate increases were granted utilities companies because the commissioners believed the companies were being hampered in their operations and actually losing money under rates forced upon them by the action of a "too ambitious" councilmanic body yielding to the unjust appeals of a few noisy demagogues.

On the whole, therefore, the regulatory acts now in force are considered fair and reasonable to both the public and the public service corporations. Where regulation is just and wisely administered, there develops a better feeling all around and there is added protection given the companies, the State or municipality, as the case may be, and the general public. In most of the States which have commissions, the one big advantage to the investing public which stands out prominently, is the power of supervision which these commissions have over the issuance of securities by the public serv-

ice companies—a dangerous power, incidentally, when in the hands of an unskilled or partisan commission.

It is mandatory, in these States, for companies wishing to put on the market a security issue of any sort, to submit their accounts to investigation by the commissioners. The latter go carefully into the financial condition of the company to learn if the issue is warranted and, if so, to see that there is sufficient security behind the issue to guarantee protection to investors who put their money into the new bonds or notes, or whatever form of security may be decided upon by the companies. In this way the State virtually endorses the securities so issued. The commission, if conditions warrant, puts its approval on the securities and when they are taken into the open market and traded in, they carry not only the endorsement of a reputable utilities company, but also the approval of the Commonwealth in which the corporation is chartered. It can be seen at a glance what a benefit is the operation of such laws, to the public and to the companies.

Bonds having behind them the endorsement of a reputable commission inspire public confidence to a marked degree and are more easily disposed of because of this increased security. Such supervision by State commissioners precludes also the possibility of a corporation not financially sound putting into the open market an issue of securities which might result in financial loss to investors.

Most of the commissions have given ample evidence that they realize public utilities are a natural monopoly; that competition, with its resultant rate wars, and in the end inevitable combination usually resulting in over-capitalization, is far less satisfactory from every standpoint than the proper regulation of one company protected during its growth. For this reason it has been the policy in virtually every case where commissions have jurisdiction, to discourage the granting of franchises to competing companies. The final result is the protection of public utility securities, and at the same time the guarantee of fair rates and good service to the public.

Only a few weeks ago three Public Utility commissions in different States—Pennsylvania, Georgia and Illinois—went on record as officially opposing franchise grants to companies wanting to enter fields where there was already in operation a corporation giving the public good service. Take the decision on one case—that of the Georgia Railroad Commission—as an example.

In its decision on the application of the Macon Railway & Light Company to restore rates in Macon to a proper basis, they having been demoralized by competition in the past two years, the commission asserted its belief that where there is governmental regulation and control of public service corporations it is the duty of the government to protect such corporations in the exercise of their rights and franchises.

After permitting the restoration of rates to an equitable basis the commission said:

"We do not believe competition can ever be a consistent and proper regulator of rates and other conditions in the public utility field. Real competition in such a field means duplication of plants, which when once built are generally useless for other purposes. In our opinion, the government, which properly assumes to prescribe reasonable rates and compel adequate service by public utilities, should also protect such utilities and the public from unwise or useless competition and the wasteful investment of money in plants which are unnecessary.

"There is need, as there are opportunities, for great industrial developments in Georgia. To meet fully this need and to improve these opportunities, capital other than our own must be attracted. There is no surer way of doing this than at all times treating it and its owners fairly. There are risks and hazards in public utility investments not always carried by private enterprises. There should be recognition of this in prescribing rates; they should allow compensation therefor.

"Investors in public utility enterprises unquestionably surrender, or rather have to yield, to governmental agencies in the regulation and control of their rates and services. They are not free to do as they will with their property or to get what they can out of it. They are subject to the will of the people whom they serve, and having such powers, it seems to us that there should be recognition at all times of corresponding obligations for at least fair treatment."

The Oregon State Railroad Commission, which now has control of public service corporations, had this to say recently in reply to applications by public utility companies for authority to compete in districts that are already being

efficiently served by existing corporations:

"One company properly regulated and administered can generally give better and cheaper service than two. It is a waste of capital and a disadvantage to a city to have two sets of telephone and electric light wires and poles cumbering the streets when one can be made to serve the same purpose. Most utilities are natural monopolies and the highest efficiency and lowest rates are only possible when each one has the entire business of a given city or territory. Now that we have the right and duty to regulate all public service corporations, the ill effect of monopoly may be escaped and at the same time the beneficial results of economy and efficiency realized."

As a rule, the commissions are made up of representative citizens whose object is to administer the laws regulating public service corporations in a manner which, to them, seems most efficient and most equitable, both from the standpoint of the corporation and the general public.

The majority of the commissioners so far appointed have represented the highest type of citizenship in their respective states. These commissioners are well paid, as far as salaries are concerned, and for this reason there have been drafted into the service men who are of high personal qualifications. Selection of this type of men has a tendency to eliminate the possibilities of graft through bribery and blackmail. No local prejudices are permitted to interfere with the decisions of such men and there is very little possibility of such tactics as are sometimes employed by councilmen and other city officials in "holding up" corporations for graft for the "killing" of obnoxious legislation.

While the commissions have been in operation only a few years, enough has been gleaned from their decisions to warrant the assertion that they will eventually work out to the benefit of both the corporations and the public. True, there have been some radical decisions which have not met with favor with the companies affected, but there have also been others which have shown a tendency on the part of the commissioners to deal fairly with the corporations and to consider their interests in just as important a light as they do the welfare of the general public.

And in view of this record, we may eventually hope for something approximating uniform legislation.

Where One Public Service Commission Stands

The protection afforded invested capital through the operation of Public Service Commissions is recognized as a factor in favor of such securities. The general attitude of State Public Service Commissions is indicated in a recent decision of the Public Service Commission of Pennsylvania as follows:

> "Vested right and interests must be duly conserved and protected. The Commission has no warrant to invite or permit limited competition anywhere unless the area and population served, the needs of the community or the prospects of the municipality, as based on its growth and development, can reasonably show that the public welfare demands it. This principle of protection must be extended to the public utility to the end that the individual citizens, who have invested in its plant equipment in good faith, may be duly protected in their investments."

INVESTMENT DEPARTMENT

INVESTMENT: The placing of capital in a more or less permanent way, mainly for the income to be derived therefrom.

General Motors Company

The Basis for the Rise in Its Securities

By ARNOLD MONTGOMERY

WHEN a stock selling at about 36 and paying no dividend more than doubles in market value in the course of a few weeks, what is the answer?

That is the question which has been agitating a good many holders and would-be holders of General Motors common stock.

The shares had been selling day in and day out between 36 and 40 when suddenly they shot up 15 points, reacted slightly and then resumed the advance, with a natural hesitation here and there, until a high point of 83½ was touched. They had another natural reaction, but at the present writing are firm at about that figure.

Will they go further?

There are many who declare General Motors common will cross par within a few months, the basis of their belief being that any company which can earn nearly 40 per cent. on its junior shares will sooner or later pay a dividend on them.

This sounds like the finest kind of reasoning, particularly as current sales have been running at a higher rate than last year's. There are, however, several points to be considered. In the first place there are almost $10,000,000 of 6 per cent. first lien notes outstanding, $2,000,000 of which fall due October 1 this year; the balance of about $8,000,000 on October 1, 1915. These notes seem to constitute the key to the situation.

The company's operations since it was taken over by the present management on October 1, 1910, have been so successful though that there exists no doubt in the Street that the maturing notes can easily be taken care of when they fall due next year, probably by means of some long term obligation. The company's credit has been so strengthened in the past three years that its credit is of the best.

This is the real explanation of the rise in the stock—the belief that the notes can easily be refunded and that, with those and the old inventory adjustments out of the way, the company will not only pay a dividend on the common stock, but pay a nice fat one. For this reason people are willing to tie up their funds for a time in a security at present unproductive. They have faith in the future.

When the $15,000,000 issue of five-year 6 per cent. notes was put out in 1910, it was stipulated that in 1911 $1,500,000 must be paid off, in 1912 another $1,500,000, in 1913 $2,000,000 and in 1914 another $2,000,000, the unpaid balance falling due October 1, 1915.

The company has not only been able to meet these obligations, but has usually anticipated the payments by several months, and in addition to wiping out thereby over $5,000,000 of the notes it had actually written off, during the three years and ten months to July 31, 1913, $9,561,816 on account of inventories, passe machinery and so on, in-

herited from those in control of the plants prior to October 1, 1910. It also showed 38.9 per cent. on the common stock last year.

Here, then, was stock market ammunition of as fine a quality as could be desired, yet the banking interests in control—Lee, Higginson & Co., and J. & W. Seligman & Co.—insisted that the nine million odd be boiled back in the property. Their policy has meant the writing off each year of practically the entire surplus after all charges and the preferred dividend which has been paid without fail.

Moral courage of this sort is supposed to be as extinct north of Battery Park as is the dinosaurus, the stegosaurus and other prehistoric pets.

In the old days, when W. C. Durant, at one time known as the "wizard" of the automobile industry, held control of the General Motors Co., the corporation refused to watch and wait, but every week or two declared a stock dividend of 100 per cent. or so, and to the casual eye was proceeding swimmingly on its own acqueous creation. Despite these stock dividends, however, it is well to note that, with but $14,985,200 preferred and $16,476,783 common stock outstanding in addition to the notes, the corporation may be considered as having a conservative issued capitalization.

The company made the mistake, however, that many another concern has made—it overestimated its market and, as a result, accumulated top-heavy inventories of finished and unfinished materials. This was particularly true of the subsidiary Buick Co. This concern had such unusual success with its 1910 models, made in accordance with trade custom months ahead of the calendar, that it tied up all its available cash and credit in materials for 1911 cars.

To save its face it had to "pay through the nose" in the fall of 1910, but even so it was the best thing that could have happened for the stockholders, for the bankers who took over the property and assured themselves control for five years through a voting trust agreement have followed a most conservative course of financing. The $9,561,816 written off proves that, and incidentally gives an idea of the condition the old organization was in late in 1910.

The earnings which are shown below make an interesting tabulation of the company's progress:

These figures show an average balance on the common for the three reports of $3,913,732, or about 23.75 per cent. To speak of the safety of the note interest and the preferred dividend is ridiculous, as in the last fiscal year the former was earned over ten times and the preferred dividend over seven. The payments on the notes are not shown as having been deducted from earnings, as the funds were taken out of cash. This is a technical detail. The point is that the notes were paid off as stated.

Gross sales have exhibited a surprising growth, due to the popularity of the products of the subsidiary concerns, which will be mentioned in detail later on, as well as efficient selling campaigns. Notwithstanding the $85,000,000 gross of 1913, however, it will probably be exceeded in the current fiscal year by $5,000,000 or possibly more. Cash receipts to January 15 last are reported to have been about $34,764,679, or $4,231,318 more than for the same portion of 1913, and there were then, of course, several months of the fiscal year still to run. This was a gain of some 14 per cent.

That the net has more than kept pace with the growing sales is clear from the foregoing tabulation. In 1912, when $64,744,496 worth of business was done, the net before interest charges amounted to $4,746,756, or about 7.3 per cent. of the gross, whereas in 1913 the $8,184,053 net represented 9.5 per cent. of the total sales. With the increasing efficiency of the plants the operating ratio ought to display still further improvement.

In common with other automobile manufacturers, the General Motors Co. found it hard to make gasoline trucks at a profit. Besides being expensive to manufacture, the trade custom has been to guarantee trucks for a year and during that period to give free repair service.

This practice has helped to wreck

	‡1913.	‡1912.	†1911.
Gross sales	$85,603,920	$64,744,496	$42,733,303
Net after maintenance, taxes, depreciation and general expenses	8,184,053	4,746,756	4,066,251
Interest on notes	724,581	850,463	750,000
Balance after interest	7,459,471	3,896,293	3,316,251
Seven per cent. preferred dividend	1,048,534	1,040,210	842,074
Balance on common	6,410,937	2,856,083	2,474,177
Per cent. on common	38.9%	17.44%	15%

‡Years ended July 31. †Ten months ended July 31.

several motor car makers, the U. S. Motor Co. among the number; so profiting by the experience of others, as well as its own, the General Motors Co. decided recently to do away with this free service and instead reduce the initial price of its commercial vehicles.

The elimination of this gratuitous service ought to mend the situation satisfactorily. There is no question that it has been a big and costly mistake of the trade, although it was a natural feature of the development of a new market. The production of pleasure cars has usually been profitable; the manufacture of trucks seldom. This is particularly true of the gasoline vehicles; several of the electrics have made money. The General Motors Co. turns out both varieties.

Further investigation of the organization by the present management has resulted in the liquidation of some of the truck makers and other unprofitable concerns. Last year there were few subsidiaries operated at a loss, and these will be liquidated when it is decided they cannot be made to yield a profit. The inventories of two such concerns were cashed in during the 1913 fiscal year and the operations of the remainder have been gone over with a fine-tooth comb. Materials have been scalped and scrapped wherever the act was considered for the good of the service in general.

This process of weeding out and liquidation has now been completed, however, and the $18,170,907 inventories listed in the latest balance sheet comprise only products required for current business and which have been marked at a rock bottom figure.

After making due provision for all doubtful claims and accounts, the management decided to write off $4,728,153 out of the 1913 profits. Like a final break in the stock market, which usually occurs before a sustained upward move, the last deduction to adjust conditions existing prior to October 1, 1910, was the most severe and hereafter nothing more will have to be written off to square up old scores.

The total deduction of over $9,560,-000—$2,399,084 in 1911, $2,833,663 in 1912 and $4,728,152 in 1913—it must be remembered, has not affected the integrity of profits since 1910 and the money deducted has been put back into the property. The conservatism of the directors reduced an accumulated surplus from $12,507,195, as it would have been, to the $2,945,379 shown.

The subsidiary companies consist of the following 24 concerns: Buick Motor Co., Cadillac Motor Car Co., Oakland Motor Car Co., Olds Motor Works, Elmore Manufacturing Co., Cartercar Co., Northway Motor & Mfg. Co., Peninsular Motor Co., Randolph Motor Co., Rapid Motor Vehicle Co., Reliance Motor Truck Co., Welch Co. of Detroit, Welch Motor Car Co., Champion Ignition Co., Jackson-Church-Wilcox Co., Michigan Auto Parts Co., Michigan Motor Castings Co., Oak Park Power Co., McLaughlin Motor Car Co., Ltd., Weston-Mott Co., General Motors Export, Truck, and European and Michigan companies.

All of these are owned in their entirety, with the exception of the Carter Car Co. which has 50,000 shares of preferred stock held by outsiders, the Champion Ignition Co. with 25,000 shares of common and the McLaughlin Motor Co. which has 503,000 shares of common stock not owned by the main corporation. Of the total outstanding stocks of the subsidiaries, amounting to $646,000 preferred and $15,926,003 common, the General Motors Co. of

New Jersey, the holding corporation, owns $596,000 of the former and $15,-398,003 of the common.

The aggregate income of the subsidiaries is taken and then the General Motors Co.'s share is computed. In 1913, for instance, when the holding company reported $8,184,053 as its proportion of the net profits, the total income of all the concerns was $8,284,140, or $99,987 more. The portion of the profits not accruing to the main corporation is obviously unimportant.

The list given shows the entire combination of subsidiaries. The various eliminations spoken of, however, in connection with the weeding out process have reduced the number of really active plants to the following 14: Buick, Cadillac, Cartercar, Champion Ignition, General Motors Export Co., General Motors Truck Co., General Motors, Ltd., London; Jackson-Church-Wilcox Co., Michigan Motor Co., Oakland Motor Car Co., Olds Motor Works, Northway Motor Co., McLaughlin Motor Co. and the Weston-Mott Co.

During the 1913 year, a net sum of $1,178,088 was expended on plants, about two-thirds of the amount going for additions to the Cadillac shops and equipment. This company is an important component of the General Motors organization, as it turns out a well-known and popular car which is in general demand owing to its merit and reasonable price. It fits in the market between the low-priced and the more expensive machines. It was one of the first autos made, dating back to the old one-cylinder days when every cough of a gasoline engine was expected to be its last. The "one-lungers," as they were called, however, managed to keep on the roads and many of the 1905 models are still in service. One was seen recently in Greater New York, and despite its antiquated appearance it managed to stay in the procession.

The Buick, Oakland and Cartercar are also known throughout the country and possess a more or less positive market. In this connection of "good-will" it is interesting to note that the corporation credits the item on its balance sheet with only $7,934,198. This sum is not to be pooh-poohed by any means, but look at some other companies: The Studebaker Corporation

ASSETS.			
July 31.	1913.	1912.	1911.
Real estate, plants, and equipment	$20,458,977	$19,280,889	$17,632,682
Patents, agreement, etc.	1,508,671	1,871,436	2,049,831
Miscellaneous investments	367,062	560,499	854,804
Cash	6,236,251	3,080,920	4,054,844
Notes and accounts receivable	3,449,335	4,229,112	4,637,077
Inventories	18,170,907	17,578,366	17,303,716
Previous expenses	412,756	422,736	191,179
Good-will, representing excess of appraised value over book value subscription stocks owned, less reserve	7,934,198	7,934,198	7,663,939
Total	$58,538,160	$54,958,158	$54,388,072
LIABILITIES.			
Preferred stock (authorized $20,000,000) outstanding	$14,985,200	$14,936,800	$14,393,500
Common stock (authorized $40,000,000) outstanding	16,476,783	16,371,183	15,822,330
Six per cent. first lien notes	†10,935,000	12,452,000	14,002,000
Outstanding stock of subscriptions, plus surplus	987,252	991,838	2,605,528
Accounts payable	4,821,744	2,853,022	2,143,847
Notes payable (Weston-Mott)	300,000	600,000	......
Interest, taxes, etc., not yet due	1,048,970	929,854	641,767
Reserve for preferred dividend payable November 1 (three month's portion)	262,526	261,394	‡335,848
Special reserve	5,775,305	4,299,471	3,203,076
Surplus	2,945,379	1,262,594	1,240,175
Total	$58,538,160	$54,958,158	$54,388,072

‡Four month's dividend due to readjustment of finances.

†Exact amount of notes outstanding after October 1, 1913, payment, $9,899,000.

carries its good-will at $19,800,000, the Maxwell Motor Co. values its at $26,500,000, and the Woolworth Co., which holds the record, considers its trade name worth $50,000,000.

The General Motors balance sheet is given herewith with comparison for three years.

It will be observed that the net working capital at the close of 1913, after deducting $262,526 set aside for three months' accrual of the November 1 preferred dividend, amounted to $21,836,009, as against $20,666,865 in 1912, a gain of $1,169,144. Cash aggregated $6,236,251, as compared with $3,080,920 the previous year, and inventories to $18,170,907 against $17,578,366. One reason for the increase in inventories was that some of the subsidiary concerns commenced operations a little earlier than usual.

The current liabilities consisted chiefly of $4,821,744 accounts payable for merchandise contracted for in the natural course of business. The $300,000 notes payable comprised the balance of notes outstanding in connection with the purchase of 50.2 per cent. of the Weston-Mott Co.'s stock notes previously owned. These notes matured on September 15, 1913, after the close of the fiscal year, and have been paid since that time.

NOTE.—Since this article was written, the company has anticipated by several months its $2,000,000 payment on the notes due October 1, this year, and reduced the exact amount maturing October 1, 1915, to $7,901,000.—EDITOR.

D. O. Mills' Distribution of Investments

Appraisal of His Estate Sheds Light on His Methods

By WILLIAM T. CONNORS

D. O. MILLS died in October, 1910, leaving an estate valued in the appraisal, which has recently been filed, at over $36,000,000. About two-thirds of this sum was found to be invested in stocks and bonds of various kinds.

These investments covered a very wide range. Many of them were in small amounts, and there were many thousands of shares of worthless securities. This is nearly always the case in the estates of our leading financiers, and it is, even when all allowances have been made, a rather curious thing.

Mr. Mills' estate included sound investments in the securities of more than fifty corporations, including railroads, banks, mines, steel mills, oil wells and hotels. But with these were twenty investments which had no value whatever, such as 20,000 shares of the Holy Terror Mining Company, 124,500 shares of the Bessemer Consolidated Mining Company, and 115,384 shares of the British Guiana Gold Company. In the estate were more than 400,000 shares not worth a penny.

It is easy to understand that many such small investments are made for personal reasons, because of special interest in some institution or enterprise, or because of some personal relations with the promoter of the undertaking. Yet it would certainly seem that the number of cases in which even a big capitalist would be willing to throw money away by putting it into something that he considered very doubtful, would be few. Apparently even the shrewdest and most experienced financiers never get entirely beyond the subtle fascination of "taking a flyer" in something which may yield big returns, or on the other hand may prove worthless.

It is to be remembered, of course, that the big capitalist can afford to "take a chance," where the small investor cannot. Five per cent. of a multimillionaire's capital is much less important to him than five per cent. of the small investor's money is to him. Possibly this accounts

DISTRIBUTION OF D. O. MILLS' INVESTMENTS

Bonds:

Seaboard Air Line	$614,900	
Chicago, Rock Island & Pacific	421,043	
International Paper	264,000	
Pennsylvania Railroad Convertibles	138,780	
Southern Pacific	105,625	
Erie	86,000	
Lake Shore	81,068	
New York, Susquehanna & Western	67,150	
American Steel Foundries	56,925	
		$1,836,491

Bank and Trust Company Stocks:

Mercantile Trust Co. of New York	$267,500	
Morton Trust Co.	115,000	
Mercantile Trust Co. of San Francisco	112,500	
Guaranty Trust Co.	82,500	
National Bank of Commerce	20,400	
		$597,900

Railroad Stocks:

New York Central	$1,096,000	
Atchison, Topeka & Santa Fe, common	777,707	
Chicago & Northwestern	181,875	
Chicago, Milwaukee & St. Paul	157,500	
Northern Pacific	144,875	
Rock Island, common	111,500	
Seaboard Air Line, preferred	186,000	
Seaboard Air Line, common	171,500	
Southern Pacific	333,437	
		$3,160,394

Public Utilities:

Portland Railway, Light & Power	$1,644,910	
People's Gas, Light & Coke	1,227,117	
Brooklyn Rapid Transit	646,453	
Central London Ry.	163,150	
Commonwealth Edison of Chicago	216,000	
Niagara Falls Power	132,000	
Northwestern Gas, Light & Coke	202,500	
		$4,232,130

Industrials, Mining, Oil, Etc.:

International Paper, preferred	$979,497	
Pullman Company	617,304	
Lackawanna Steel	313,500	
Crex Carpet	137,040	
Pressed Steel Car, preferred	106,500	
Cerro de Pasco Investment Co.	$554,400	
Cerro de Pasca Mining Co.	510,300	
Alaska Mexican Gold	618,599	
Alaska Treadwell Gold	652,514	
Standard Oil	$394,600	
Tidewater Oil	500,000	
North Atlantic Steamship	$206,032	
Chicago Transfer & Clearing	600,000	
		$6,190,286

Deposits in banks and trust companies, about	$1,500,000

for a certain carelessness in the placing of small amounts.

The principal items of Mr. Mills' investments, divided into classes, are shown in the table herewith.

We are naturally surprised to find such a small part of the total in bonds and railroad stocks, and such a large part in public utilities, industrials and mining stocks. In this particular Mr. Mills' estate differs from most of those which we have occasion to examine. Reduced to percentages, the proportions are as follows:

	Per cent.
Bonds	10.5
Bank and trust companies	3.4
Railroad stocks	17.5
Public utilities	24.2
Industrial stocks	12.3
Mining stocks	13.3
Oil stocks	5.1

Thus we find that about one-quarter of the total was in public utility stocks, another quarter in industrial and mining stocks, but only one-tenth in bonds of all classes and about one-sixth in railroad stocks.

It is to be remembered that this was in the Fall of 1910, and such a distribution of money at that time certainly gave evidence of sound judgment on Mr. Mills' part. Bonds were then declining and they continued to decline for three years thereafter. Railroad stocks have done relatively much worse than other securities, while public utilities have done better. The industrials in which he was interested have held their own very well, and the oil stocks, in which he had 5 per cent. of his money, have prospered exceedingly. The mining industry, also, has suffered but little from the depression which has affected most other lines of business.

Plainly Mr. Mills took warning from scarcity of capital and rising interest rates all over the world and abstained from placing any considerable part of his capital in bonds, which would suffer severely from this condition. He had a strong liking for public utility stocks, presumably because of the firm grip of these companies on the necessities of life in our growing cities. And it may be surmised that he foresaw the troubles of the railroads from the antagonism of public sentiment which became so noticeable from 1907 on.

Turning to the list of his securities, he was evidently a firm believer in New York Central, in which he was a director at the time of his death. His other favorite among the rails seems to have been Atchison, but he had a respectable total of the bonds and stocks of the Seaboard Air Line. He had half a million in the bonds and stock of Rock Island, mostly bonds. This has not proved a good investment.

One does not know, of course, on what theory he invested so heavily in International Paper bonds and stock, in which company he was also a director. Apparently he did not anticipate the reduction of the tariff on paper. It will be noted that the stocks of most of the big trusts are conspicuous for their absence. The principal copper stocks also turn up missing.

It is interesting to compare Mr. Mills' investments with those of E. H. Harriman, who died about a year before Mr. Mills. Reduced to per cents, the comparison is as follows:

	Mills.	Harriman.
Bonds	10%	25%
Banks and Trust companies	3	8
R. R. stocks	17	32
Public utilities	24	4
Industrial, mining, etc.	31	10
Express stocks	0	12

Harriman was popularly known as a daring speculator. Mills was not. Yet at the time of his death Mills' investments were decidedly of a more speculative character than Harriman's.

This is chiefly due to the facts that Mills had only 10 per cent. of bonds against 25 per cent. for Harriman, and that Mills had entered the mining field quite actively, while Harriman kept out of it altogether.

Judging by results since the death of the two men, Mills showed much the greater foresight in catching the broad trend of events.

How To Avoid Fraudulent Stocks

Practical Points for the Small Investor

By ARTHUR PRILL

MINING STOCKS.

Second Article.

The spice of speculation is danger of loss; the aim of all investment is income with safety. You can get either in the field of mining stocks.

For the trader, however, who must take his chances on a city market, mere danger is practically certain to sooner or later entail loss. If you live in New York, Philadelphia or Boston you cannot afford to sit in a game whose pot you cannot see. Only men "on the ground," in Nevada, Alaska, Mexico, Porcupine, are in a position to get a run for their money if put into undeveloped mines. If this fact were generally understood, a few small brokers would have to go out of business, but the most profitable investment field in the world would be put upon a basis worthy of complete public confidence.

In order to obtain a clear understanding of our subject let us first define "a developed mine," this is a property containing a body of ore whose existence, position, character and commercial value have been definitely ascertained. It is necessarily a large property because in a small one it would not be profitable to explore so far ahead of output. Ore blocked out for a year or two can not be considered complete development, because while a run of twelve or twenty-four months assures dividends for that time, it would not ordinarily suffice to reproduce capital sunk into the hole. Cost of ground and equipment must not be lost sight of. These items become practically valueless when the ore gives out. In all statements about mines, the writer here refers to that class of metal producing properties which is likely to be offered on the stock market. Other conditions arise in exceptionally valuable occurrences, particularly of gold, but when a vein is so rich as to be beyond ordinary rules of promotion as well as mining, the promotion will never reach print; it will be written by the receiving teller straight into the pass books of a very few lucky people.

Since the mine in which market traders can safely deal must be a large one, possessing a management backed by ample capital, it is natural that reports upon underground conditions by some of our foremost mining engineers will be available. You ask perhaps: "How am I, an outsider, to judge who is a reliable engineer?" The answer is, Become an Insider. This is not so much a matter of money as of brains and work. Don't imagine that the big operators got their hold on bonanzas by sitting in a chair and dreaming about grass-root, million-dollar miracles. They studied the mining game until they knew all about the prominent men in it as well as all that can be humanly known about the possibilities of our mining districts.

A first step is subscription to journals which give reliable information. One authoritative publication is issued in New York, another in San Francisco; a fairly good one hails from Chicago. Read the camp news in these each week. This is non-technical and readily understood by any business man, as are also annual and monthly reports. The technical pages will, especially at first, look forbidding, yet an occasional glimpse through even these will be repaid by gradually growing familiarity with the business in which you propose to invest and with the most successful methods of exploitation in vogue. As a result, when the next circular reaches you proposing that you put your hard-earned dollars into a gold mine in a copper district, you will know that while there may be gold at the top of that prospect, even in profitable quantity and of free milling variety, it is only a question of a few hundred feet, perhaps

only fifty, when the oxidized zone will be passed through and the shaft will run into sulphides whose gold content is negligible unless enough copper is found to warrant the installation of an expensive smelter.

About the time you know enough about the mining business to recognize the big names in it, you will also learn the salient differences between a bona fide engineering report and a faker's imitation. A circular issued by a broker on April 11, 1914, says, "I will be in Porcupine when you receive this despatch. In company with my engineer-in-chief I will visit Hollinger, Dome Lake, etc." That "engineer-in-chief" phrase is a blatant assumption that this broker maintains a staff of engineers and that the "Chief" permits himself to be spoken of much as a valet allows his new-rich master to point him out with pride. Now as a mining engineer of any kind is worth at least two hundred and fifty dollars a month and expenses, and a chief engineer twice that amount up to ten and thirty times that amount, you already know that you have pinned this broker to one lie. If he had the capital to maintain such a staff he would not need to plaster an out of date sucker list with cheap circulars.

The pamphlet in question is an able-bodied specimen of faking as practiced in this year of grace. Let us take the next statement: "Higher prices are sure." Again it is easy to sidestep the fraud. Self-evidently, if the man were "sure" he would hock his Sunday suit and watch to back his opinion on the curb. Advice is always in season from a broker, but "sure" things are dealt out only by artists who hold something still surer in their sleeve. Next come three paragraphs to the effect that "mine conditions warrant a sharp advance," yet in that five hundred words is not one which gives a reason why conditions warrant an advance. There is talk of a "bright future" at the camp and of a "corralling of the supply of stocks on the market," but not one rocky underground fact about the mines, nor one clear argument based on market conditions.

When a stock seller finds it necessary to tell you that mining market conditions are favorable, waste no more time on him or his. The mining market as a whole is so intensely speculative, its quotations, in so far as they do not follow the Big Board, depend on so varied developments impossible to foresee that anyone gifted with second sight in this field should be avoided: he is too clever for an ordinary mortal and would sooner or later leave you in a state of much sadness induced by the acquisition of a little negatively valuable wisdom.

Precious metal mining as carried on at present is unnecessarily risky for the stockholder. The best managed properties it is true no longer gouge out every ounce of gold or silver in sight from day to day as was the custom of the Aztecs, yet very rarely is their ore blocked out for more than a two-years' mill-run ahead. The cause lies in the fact that capital has not learned to insist on its rights and it is easier to finance underground work for a short time ahead than for a long one. Engineers will object that in some districts, as upon the Mother Lode in California, it is impracticable to maintain levels in good condition for any length of time. The answer to be given them is simple: "If you cannot make your mining system as safe for my pocketbook as for yours, I decline to unbutton my waistcoat."

On today's markets there are however half a dozen active copper mine stocks whose value is based upon proven bodies of ore. Nothing can be imagined quite so safe as these securities. One of America's largest railway lines at this writing suffers grievously from the destruction of its property in Mexico. Its stock is dropping in consequence. Not far from its lines lies an immense copper property. It also must stop work for the present. But note the difference: the railway's product, service, is absolutely lost for as long as the disturbance lasts. Last month will never come back again. The road may earn dividends next month, but those which should have come in last month are lost forever. Also its most expensive asset, the tracks, are easily torn up and in part have already been torn up. Its equipment of cars and locomotives is undergoing rapid deterioration owing to partial confiscation and operation by inexperienced or careless temporary employes. A huge bond issue is certain to be brought out when the war is over. The money will be necessary for rebuild-

ing and repairs. The company's stock values will deteriorate in consequence.

The copper mines in the same country on the other hand simply close up and wait. Neither rebels nor Federalists can steal or destroy that copper. Incentive for wanton destruction of plant is comparatively small as the Mexicans know that the development of the country's mines directly distributes more money to Mexicans than any other industry. The railway's profits all fly north. The best part of the road's pay roll goes to Americans. In the worst case, the refitting of a shaft head costs very little money as compared with the values taken out of the shaft. Smelters are continually undergoing reconstruction even under most favorable conditions because the advance of engineering science throws all old machinery of this class into the junk pile every few years. Therefore rebuilding means little otherwise avoidable expense. The investor in the copper mine can lose practically nothing. The stock in question is not named here to avoid any possible charge of Lawsonizing, but it is very active on the New York curb, is being hammered at present and will offer a big profit to buyers at war-scare prices.

Other large copper producers are scattered from Chili to Alaska. Select those which offer the clearest and most frequent reports, signed by the biggest names in the business and you cannot go wrong. Fraud won't stand the light.

In studying values or obtaining information of any kind avoid as you would a bunco steerer those sheets and journals which are offered "free to investors" or "free for a month." When a stranger offers you a diamond for nothing you naturally cast a side glance up-street looking for a blue uniform. Our pest of free stock literature has been slightly toned down by the postal authorities, but the only way to really clean them up and out will be to make them unprofitable by refusing to have anything to do with their publishers.

Honest information is the most valuable thing in the stock market. It (in regard to mining stocks) can be obtained in print only from a very few of the technical journals on whose pages the foremost engineers in the world are glad to see their names. This fact bears reiteration, for there are journals made up to look more or less like the good ones, but the imitation carries amid forty pages of honest, stolen copy, one or two pages of original lies, so cleverly arranged that only an expert can tell the difference. Yet from lack of advertising pages we can see that it is published for some other purpose than ordinary journalistic profit on printer's ink. Speaking here of black ink, not the green and gold scrolls of imitation parchment inscribed, "shares," "non-assessable," "president," "treasurer." Note the quality and quantity of advertising in any sheet you take in hand. This is an index of character.

We all know that the very biggest names in American finance were built on wrecks: Atchison, Erie, 'Frisco, New Haven and a dozen other names have brought out the fact that the rapid rearing of large fortunes in finance implies a crime. If it was cleverly done it is forgiven and sometimes does not come out till after the manipulator dies. His son's and daughter's money is always good at Newport, on Fifth avenue or in the Rue de la Paix. But why should the small stock speculator and investor contribute to these huge fortunes? Let every reader of THE MAGAZINE OF WALL STREET take immediate steps to get off the sucker lists—just drop the sender of cheap literature a card to the effect that you will forward the next communication to the chief of the postal inspection service.

Our professional men are recognized as the one absolutely reliable pillar of modern business. When well known engineers certify that a given mine has so many tons of ore in sight, the investor can feel sure of the truth of the statement. When a million dollar smelter goes up at the property we can be certain that the game has solid foundation. Until you possess sufficient experience and capital to become a mining man yourself, until you can personally investigate the small fry, the hopeful prospects and the rehabilitated has-beens, keep away from them. Stick to the big producers, they are active enough to offer big profits and the holder of their securities can sleep soundly, for no panic ever reached an inch underground.

Monthly Net Earnings

THIS table gives the returns of the principal railroads down to latest dates available, and should be studied in connection with the "Bargain Indicator," which shows annual results and the "Investment Digest," where other details of earnings will often be found.

		Current month.	Change from last year.	Fiscal yr. to date.	Change from last fisc. yr.	Stock outstanding (in millions). Pref.	Com.
Atch., Top. & S. Fe	Mar.	$3,472,092	+$388,768	$28,115,168*	—$1,847,679	114	195
Atlantic Coast Line‡	Mar.	1,238,105	—156,079	7,144,409*	—766,760	...	67
Baltimore & Ohio	Mar.	2,374,235	+851,636	19,512,453*	—1,736,793	60	152
Boston & Maine	Mar.	552,519	+210,584	6,658,686*	—1,083,374	3	39
Buff., Rochester & Pittsb.	Mar.	214,479	—22,447	2,433,845*	—3,179	6	10
Canadian Pacific‡	Mar.	3,099,239	—756,177	32,782,426*	—2,386,586	74	260
Central of Georgia	Mar.	393,684	—24,593	3,099,451*	+41,745	15	5
Central R. R. of N. J.	Mar.	719,783	—41,774	9,015,953*	—1,716,361	None	27
Chesapeake & Ohio	Mar.	986,467	+215,275	8,369,981*	+44,562	...	62
Chicago & Alton‡	Mar.	46,365	+53,968	1,264,257*	—428,774	19	19
Chic., Burl. & Quincy	Feb.	1,924,676	—418,180	23,506,962*	—1,703,646	None	110
Chic. Gt. Western	Mar.	336,887	+50,411	2,746,633*	—237,794	44	45
Chic., Mil. & St. Paul	Mar.	3,129,375	+663,825	23,637,836*	—1,301,184	116	116
Chic. & Northwestern‡	Mar.	1,948,129	+213,723	18,593,541*	—955,583	22	130
Cleve., Cin., Chic. & St. L.	Mar.	339,687	—162,969	171,243†	—1,440,121	10	47
Colorado & Southern	Mar.	244,348	—2,807	2,771,753*	—918,807	1st, 8; 2d, 8	31
Delaware & Hudson	Feb.	237,180	—516,068	702,548†	—875,405	None	42
Del., Lack. & Western	Mar.	602,559	—129,325	10,649,576*	—1,011,036	None	42
Denver & Rio Grande‡	Mar.	431,389	+42,055	4,774,852*	—577,437	49	38
Erie‡	Mar.	937,172	—160,126	8,553,397*	—3,536,365	1st, 47; 2d, 16	112
Great Northern	Mar.	1,746,622	+41,458	24,552,263*	—1,472,294	230	None
Hocking Valley	Mar.	174,980	+67,440	1,805,343*	—206,586	None	11
Illinois Central‡	Mar.	1,330,463	+425,981	9,583,425*	+827,470	None	109
Kansas City Southern‡	Mar.	300,347	+44,590	2,670,812*	—77,745	21	30
Lake Erie & Western	Mar.	110,018	+36,750	184,345†	—52,374	11	11
Lake Shore & Mich. So.	Mar.	1,292,947	—76,597	2,495,593†	—1,836,677	None	49
Lehigh Valley‡	Mar.	519,106	—46,743	7,191,983*	—2,207,286	...	60
Long Island‡	Mar.	62,885	+21,276	26,381†	+39,561	None	12
Louisville & Nashville	Mar.	1,384,647	+332,355	12,060,834*	—34,785	None	72
Michigan Central	Mar.	703,731	—24,787	1,228,172†	—768,387	None	18
Minn. & St. Louis‡	Mar.	222,512	+24,323	1,900,830*	—196,882	5	15
Minn., St. P. & S. S. Marie‡	Mar.	379,264	—228,591	4,472,308*	—2,142,072	12	25
Mo., Kansas & Texas	Mar.	527,808	—35,400	6,853,898*	—1,298,541	13	63
Missouri Pacific‡	Mar.	1,265,012	+123,496	11,113,675*	—147,537	None	82
National Rys. of Mexico§	Mar.	185,538	—1,301,896	1,719,661*	—17,057,094	1st, 57; 2d, 240	149
N. Y. Cen. & Hud. River	Mar.	1,657,784	—88,923	3,625,707†	—1,424,706	None	225
N. Y., Chic. & St. Louis	Mar.	134,697	+10,762	246,493†	—331,454	1st, 5; 2d, 11	14
N. Y., N. H. & Hartford‡	Mar.	1,053,049	+162,275	10,916,196*	—3,626,859	None	157
N. Y., Ont. & Western‡	Mar.	99,953	—33,220	1,489,006*	—569,269	None	58
Norfolk & Western	Mar.	1,202,335	—12,912	10,718,908*	—1,233,041	23	107
Northern Pacific	Mar.	1,833,019	—255,217	20,622,670*	—1,839,099	None	248
Pennsylvania R. R.‡	Mar.	2,649,774	+21,192	5,307,233†	—2,111,880	None	499
Pere Marquette‡	Mar.	98,596	—224,294	919,971*	—1,683,166	12	14
Pitts., Cin., Chic. & St. L.‡	Mar.	563,030	+384,499	1,371,004†	—4,316	27	37
Reading Company	Mar.	164,245	+4,469	1,492,423*	—3,114	1st, 28; 2d, 42	70
Rock Island Lines	Mar.	1,523,081	+292,022	13,716,847*	—565,343	49	90
Seaboard Air Line‡	Mar.	766,083	—11,398	5,201,720*	+319,092	23	37
St. Louis & San Fran.‡	Feb.	517,015	—523,775	8,121,580*	—1,703,049	1st, 4; 2d, 15	28
St. Louis Southwestern‡	Mar.	151,348	—112,515	2,182,328*	—924,283	19	16
Southern Pacific‡	Mar.	2,738,207	—436,677	29,471,424*	—4,943,426	None	272
Southern Railway	Mar.	1,543,457	—275,222	15,329,786*	—701,903	60	120
Texas & Pacific	Mar.	270,575	+40,776	3,797,608*	+737,309	None	38
Tol., St. L. & Western‡	Mar.	62,455	—22,561	946,729*	+26,174	10	10
Union Pacific‡	Mar.	2,049,263	+94,558	24,991,591*	—2,636,013	99	222
Wabash	Feb.	162,401	—198,225	4,435,681*	—774,695	39	53
Western Maryland	Mar.	25,396	—120,777	502,202*	—842,929	10	49
Wheeling & Lake Erie	Mar.	259,333	+232,591	1,984,729*	+154,549	1st, 4; 2d, 11	20

*Fiscal year ends June 30. †Fiscal year ends Dec. 31. ‡Net earnings are after deducting taxes.
§These results are in Mexican currency.

Comparative Earnings of Important Stocks

THE BARGAIN INDICATOR

NOTE—The minus sign (—) before figures below indicates a DEFICIT for the year equal to the per cent. on stock given. Additions and betterments are included in earnings given, wherever distinguishable from ordinary expenses of maintenance, since earnings invested in improvement of the property increase the equity of the stockholders and therefore render the stock more valuable. The value of a stock cannot be judged by its position in the table ONLY. Earnings for successive years as given should be carefully examined, with a view to stability and growth as well as amount. Latest monthly earnings will be found in table of "Monthly Net Earnings" or "Investment Digest."

Railroads	Present div. rate.	Div. yield on pres. price.	Earnings on par for fiscal year ending on any date during 1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
Minneapolis & St. L. pfd..	0	0	7.8	2.7	—2.4	1.9	1.5	—11.9	7.7	30	25.7	
St. Louis S. W. com.......	0	0	3.7	—4.2	—2.5	—1.1	1.4	3.8	5.6	22	25.5	Pfd. div. reduced from 5% to 4% basis.
Denver & Rio Grande pfd.	0	0	9.1	7.7	6.6	8.3	4.7	2.0	4.2	22	19.1	Contr. and finan. W. Pac. wh. earns only ½ fxd. chgs.
Mo., Kansas & Texas com..	0	0	5.0	4.0	0.7	0.8	2.0	—0.8	2.8	17	16.5	
Erie com.	0	0	3.0	—3.7	0.3	2.9	2.5	0.7	4.3	29	14.8	
Colorado & Southern com.	0	0	4.5	4.8	4.9	7.3	5.2	2.6	3.2	23	13.9	Controlled by C., B. & Q. (Hill management).
Reading com.	8	4.8	13.0	12.7	13.2	16.1	13.8	12.5	22.7	166	13.7	Incl. betterm'ts. Suit filed agst. control of Jersey Cen.
Southern Railway com....	0	0	—0.6	—2.2	0.5	2.3	3.1	3.1	3.4	25	13.6	
Seaboard Air Line Ry. pfd	4	7.4	....	....	....	....	7.6	3.7	7.3	54	13.5	Initial div. Nov., 1913.
Twin City Rapid Trans. com.	6	5.7	8.2	8.3	9.9	10.9	11.0	11.3	13.0	106	13.3	
Lehigh Valley com.........	10	7.1	20.0	19.2	15.4	23.0	16.5	13.2	16.9	140	12.1	
Minn., St. P. S. S. & M. com.	7	5.6	9.6	8.4	8.8	15.7	5.3	11.1	14.7	126	11.7	Pfd. and com. share above 7%. Contr. by Can. Pac.
Missouri Pacific	0	0	9.9	3.7	1.3	3.3	—6.3	—2.4	1.9	18	10.6	
Southern Pacific com.....	6	6.5	12.5	7.4	10.2	13.0	9.6	7.9	9.8	93	10.5	Gov't contesting ownership of Cent. Pac.
Canadian Pacific	10	5.2	13.7	10.6	8.6	16.0	17.3	19.6	19.6	193	10.2	Div 7% R. R.; 3% land sales.
Norfolk & Western com..	6	5.7	9.0	7.1	8.7	11.6	8.9	9.9	10.6	105	10.1	Controlled by Penna.
Brooklyn Rapid Transit...	6	6.5	4.4	4.1	4.2	5.6	6.8	8.3	9.2	92	10.0	Subways will doubtless enlarge earnings eventually.
Kansas City South. com..	0	0	5.4	2.6	3.4	2.2	2.7	0.2	2.7	27	10.0	
Atchison com.	6	6.3	15.0	7.7	12.1	8.9	9.3	8.2	9.5	96	9.9	Earn. 1913 on present cap. stock 8.5%.
Chesapeake & Ohio.......	4	7.6	5.4	4.4	6.4	10.0	5.1	6.8	5.2	53	9.8	1912 and 1913 include Chicago line.
Atlantic Coast Line.......	7	5.7	6.3	5.6	9.4	12.0	12.8	12.1	12.0	123	9.8	Holds control of Louis. & Nash. by stock ownership.
Union Pacific com........	10	6.4	16.5	16.2	19.1	19.2	16.6	13.8	15.1	157	9.6	Divs. 8% if court allows extra div.
Wisconsin Central com....	0	0	3.2	—0.6	0	2.5	—4.3	0.3	4.0	42	9.5	Leased to M., St. P. & S. S. M. (Can. Pac. system).
Delaware & Hudson......	9	5.9	15.2	12.4	12.2	12.5	12.3	13.0	14.5	152	9.5	
Buff. Roch. & Pittsb. com.	6	5.5	8.7	6.2	6.3	7.3	8.0	8.4	10.2	109	9.4	Pfd. and com. share equally above 6%.
Louisville & Nashville....	7	5.1	10.7	7.5	14.3	17.3	14.2	15.9	12.7	138	9.2	Contr. by Atl. Coast. Earn. '13 on pres. stk. 11.6%.
Great Northern pfd.......	7	5.7	11.8	7.1	8.3	8.5	8.3	10.3	11.0	124	8.9	Has large equity in C., B. & Q. and Can. extensions.
Chic., Mil. & St. Paul com.	5	5.0	10.5	9.5	7.2	8.0	7.1	1.6	8.6	100	8.6	Now includes Puget Sound.
Chicago Gt. Western pfd..	0	0	....	....	....	1.2	1.9	0.4	2.8	34	8.2	
Pennsylvania R. R........	6	5.4	10.7	9.0	11.0	9.3	8.6	9.3	8.9	111	8.0	Divs. pd. since 1856.
Del. Lack. & West.........	20	5.0	38.5	40.8	52.8	35.4	31.8	33.2	32.0	398	8.0	
Northern Pacific com......	7	6.4	15.1	12.8	10.7	9.0	8.2	7.9	8.7	110	7.9	Large equities in lands and C., B. & Q.
N. Y. Ontario & Western.	2	7.4	2.8	2.6	2.3	2.3	2.0	0.8	2.1	27	7.8	
Baltimore & Ohio.........	6	6.5	9.9	5.1	7.1	8.9	6.9	7.6	7.2	92	7.8	6 mo. end. Dec., '13, equal 3.1%.
N. Y., N. H. & Hartford..	0	0	9.2	5.4	7.4	10.3	7.1	8.5	5.0	69	7.2	Div. recently passed.
Chicago & Northw'n com..	7	5.3	12.7	11.2	11.4	7.7	8.0	7.1	9.6	133	7.2	Pfd. and com. share above 7%.
N. Y. Cent. & Hud. River.	5	5.3	6.2	5.1	7.7	6.4	5.7	6.2	5.9	94	6.3	Controls 1/7 Rdg. through Lake Shore.
Illinois Central	5	4.5	....	8.4	7.4	7.1	10.3	3.2	6.0	111	5.4	Div. reduced from 7%.
Toledo, St. L. & West. pfd	0	0	6.4	0.2	1.0	2.0	—0.6	—0.5	0.6	14	4.3	Earns. given exclude divs. on Alton, now discontinued.
Western Maryland pfd....	0	0	....	....	....	8.6	6.2	6.0	—4.1	54	0	Connection with N. Y. Cent. completed.
Pittsb., C., C. & St. L. com	2	2.4	8.8	7.2	9.8	6.1	7.0	10.9	—2.0	83	0	Pfd. and com. share above 5%. Contr. by Penna.
Lake Erie & West. pfd...	0	0	2.0	—2.0	0.8	—0.2	—0.1	1.8	—1.8	18	0	Controlled by Lake Shore.

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Preferred stocks earning more than the per cent. to which the dividend is limited, but now receiving either no dividend or less than said limit:

Erie 1st pfd.............	0	0	12.3	—3.4	6.1	12.1	11.2	7.0	15.3	44	34.8	Entitled to 4%.
St. Louis S. West. pf....	4	6.9	7.9	1.6	2.9	4.1	6.1	8.2	9.4	58	16.2	Div. reduced from 5%.

Industrials

	Present div. rate	Div. yield on pres. price.	Earnings on par for fiscal year ending on any date during 1907.	1908.	1909.	1910.	1911.	1912.	1913.	Present price.	Earnings last fisc. yr. on pres. price.	Notes.
Am. Locomotive com......	0	0	18.1	11.1	—3.1	1.3	7.3	0.5	17.7	33	53.6	Mfr. of autos discontinued.
General Motors com......	0	0	....	....	....	....	15.7	17.3	38.8	84	46.2	1911 earnings 10 mos. only.
Bethlehem Steel pf.......	5	5.9	10.8	2.4	5.3	13.4	13.6	13.1	34.4	85	40.5	
Pressed Steel Car com....	3	6.8	13.3	—5.8	7.7	5.5	0.1	0.8	10.5	44	23.9	Recently declared ¾% quarterly.
Am. Steel Foundries......	2	6.5	14.0	0.3	0.1	6.1	—1.5	4.6	6.1	31	19.7	1911 earns. are 17 mos.
United States Steel com..	5	8.2	15.7	4.0	10.5	12.3	5.9	5.7	11.1	61	18.4	U. S. Govt. suit pending.
Nat. Enam. & Stamp. com.	0	0	6.7	—2.1	1.1	1.0	1.1	—1.6	1.9	11	17.3	1912 earnings 18 mos.
Am. Hide & Leather pfd..	0	0	2.2	—0.1	11.2	—5.6	0.8	3.2	3.6	21	17.1	
Am. Beet Sugar com.....	0	0	1.0	4.2	7.0	7.3	10.9	13.5	3.9	23	17.0	Affected by tariff reduction.
Col. Fuel & Iron com.....	0	0	0.9	0.4	2.1	4.0	3.2	4.8	4.6	28	16.4	Pfd. in arrears about 40%.
U. S. Realty & Imp......	5	8.2	6.0	7.7	9.2	9.7	9.4	8.3	9.2	61	15.1	Controls Fuller Constr. Co. 8 mo. to Dec., '13, 6.5%.
Central Leather com......	2	5.7	0.4	1.3	6.3	—2.1	—5.1	8.6	5.2	35	14.9	
U. S. Rubber com.........	6	10.2	4.4	0.2	4.0	7.8	2.2	6.3	8.7	59	14.7	1913 figured on present cap. stock.
Repub. Iron & Steel pfd..	7	8.1	18.6	9.8	8.1	11.7	7.8	8.9	12.4	87	14.3	Arrears 5¼%.
Inter. Harvester (N.J.) com	5	4.6	6.5	7.8	17.8	14.8	14.2	15.2	....	108	14.1	Govt. suit pending.
Tennessee Copper (par $25)	12	8.6	16.0	6.5	6.8	8.9	8.1	21.9	19.3	$35	13.8	Income partly from sulphuric acid.
Inter. Paper pfd..........	2	5.6	7.2	7.3	2.7	4.5	5.3	5.4	4.4	36	12.2	6% cum. divs. in arrears 24%.
U. S. Cast Iron Pipe pfd..	4	10.3	14.7	5.4	1.2	4.4	3.9	4.2	4.7	39	12.1	Controls 75% of U. S. production.
Am. Smelting & Refin. com	4	6.3	12.8	7.0	7.7	7.1	9.1	10.1	7.5	64	11.7	Smelting & Smelt. Sec. now consolidated.
Corn Products pfd.......	5	7.6	7.2	8.5	8.2	6.9	7.0	6.8	7.6	66	11.5	Divs. in arrears.
Sears, Roebuck com.......	7	3.7	8.5	4.5	18.4	20.5	17.0	19.3	21.2	187	11.3	In 1911 p'd 33⅓% stock div.
Pittsburgh Coal pfd......	5	5.6	10.0	1.7	3.0	7.2	5.1	7.5	10.1	89	11.2	Divs. in arrears 40%.
Westinghouse Elec. com...	4	5.3	....	....	....	7.6	12.3	6.2	8.2	75	10.9	Large interest in 3 foreign Westinghouse Cos.
American Can pfd.........	7	7.7	6.4	6.6	6.7	6.8	7.1	14.2	9.7	91	10.7	Arrears 8¾%.
American Linseed pfd.....	0	0	....	....	5.8	4.5	2.6	—2.8	3.0	29	10.4	
Am. Malt Corporation pfd.	4	8.7	—4.0	10.6	6.2	3.0	8.8	9.3	4.6	46	10.0	Div. in arrears 22%.
Utah Copper (par $10)...	30	5.2	5.9	23.3	29.5	34.6	39.7	53.5	53.9	$58	9.3	
Am. Agricul. Chem. com..	4	7.1	6.2	6.1	7.5	10.4	9.1	7.3	5.2	56	9.3	
Chino Copper (par $5)....	60	7.1	....	....	....	....	....	50.6	77.5	42	9.2	
National Biscuit com.....	7	5.3	7.6	8.1	7.4	7.7	9.8	10.0	9.6	132	8.8	Fisc. yr. ends Jan. 31, 1914, 11.7%.
Amalgamated Copper	6	8.2	9.2	4.3	2.4	3.9	3.9	4.3	6.4	73	8.8	1913 based on 8 mos. earns. of 4.3%.
North American	5	6.5	4.7	4.8	6.0	6.2	6.2	7.2	6.7	77	8.7	Controls Street Ry. & Elec. Light Cos.
General Electric	8	5.4	11.6	10.2	7.4	16.7	14.5	16.2	12.9	148	8.7	Jan., 1913, 30% stock div.
Ray Con. Copper (par $10)	15	6.8	....	....	....	....	2.1	13.3	18.5	22	8.4	
Am. Car & Foundry com..	2	4.0	20.1	23.8	2.6	6.6	7.1	2.5	4.1	50	8.2	$600,000 set aside for com. divs., equal 2% on stock.
Union Bag & Paper pfd...	0	0	7.0	7.4	6.2	5.4	5.5	5.3	1.7	21	8.1	Divs. in arrears, yr. end. Jan. 31, '14, equals 1.7%.
Am. Cotton Oil com......	0	0	8.7	3.2	10.4	6.8	—1.2	6.5	3.4	42	8.1	Controls 17 sub-companies.
Pacific Coast com........	6	7.3	10.3	5.7	5.3	8.8	7.2	6.2	6.6	82	8.0	Com. and 2d pfd. share equally above 4%.
Distillers' Securities	0	0	7.8	1.5	2.2	2.3	3.1	1.5	1.2	15	8.0	Holds maj. U. S. Ind. Alcohol.
American Tel & Tel.......	8	6.6	9.0	10.1	9.0	10.4	10.0	9.3	9.6	122	7.9	Large equities in sub. co. earns.
Sloss?Sheffield com.	0	0	9.9	4.9	6.6	2.0	—0.6	0.8	2.1	27	7.8	
National Lead com.......	3	6.5	6.0	5.8	6.2	4.3	3.6	3.8	3.6	46	7.8	
General Chemical com....	6	3.6	5.7	4.5	14.4	15.6	15.5	11.5	12.8	165	7.8	5% stock div. 1912.
Peoples Gas Light & Coke.	8	6.6	7.6	8.4	8.9	9.0	8.9	7.5	7.2	121	6.0	1913 figured on present cap. stock.
Pullman	8	5.2	11.6	9.8	10.9	11.6	9.3	8.7	9.3	155	6.0	
Consolidated Gas (N. Y.).	6	4.6	3.9	4.9	6.7	7.4	7.6	7.5	7.2	130	5.5	Sub-cos. have large undistributed surpluses.
Western Union	4	6.5	5.0	1.7	5.8	5.7	5.4	4.0	3.2	62	5.1	Am. Tel. & Tel. has relinquished control.
Railway Steel Spring com.	2	7.1	8.6	—1.3	5.3	6.0	0.3	5.8	1.3	28	4.6	2% div. May, 1913.
Am. Sugar Refining com..	7	6.6	12.4	7.5	3.9	3.8	9.6	8.7	1.9	106	1.8	Affected by tariff. Much litigation pending.
Va.-Car. Chemical com....	0	0	5.9	3.7	7.1	10.4	3.1	3.3	0.5	29	1.7	Owns Southern Cotton Oil Co.
Pacific Mail	0	0	0.7	—2.1	—1.7	—1.1	—1.0	—0.1	0.1	24	0.4	Contr. by So. Pac. Panama Canal should incr. earngs.
American Woolen com....	0	0	—3.3	—3.9	5.2	2.2	2.1	2.1	—19.9	16	0	Affected by new tariff.

Southern Pacific

Its Record and Possibilities

By ROBERT S. DANA

(Continued from May issue.)

INVESTMENT VALUE OF STOCK.

THE growth and development of the Southern Pacific during the period covered by this report has been such as to inspire the greatest confidence in the future of the company and in its securities.

Its present enormous earning power has been made possible only through the most vigilant supervision on the part of the management and the expenditure of vast sums on improvements and in maintaining its property in the highest physical condition. The latent earning power of some of the equities described above cannot now be measured in terms of dollars and cents. All that can be said is that it must be very great. And even this does not tell the whole story, for one of the high officials is reported to have said not long ago, that Southern Pacific is honeycombed with equities that nobody knows anything about.

There has been some fear expressed that Southern Pacific would lose a considerable part of its through business after the opening of the Panama Canal. Officials of the company, however, do not share this fear. They claim, it is said, that the bulk of the through western business formerly billed over the "Sunset Route" was lost after the completion of the railway across the Isthmus of Tehuantepec and has never been regained. If this is true, the Canal should help rather than hurt the prospects of the road. The new gateway to the Pacific will stimulate business all through the southern and far western states. It will be the means of diverting much of the immigration that now finds lodgement along the Atlantic seaboard to the Pacific coast. The labor of these new comers will bring about a tremendous increase of traffic for the roads serving the territory in which they settle and Southern Pacific is the best situated of any of the western railroads to benefit thereby.

The current fiscal year has been bad for the railroads and Southern Pacific has suffered with the rest. Its earnings for the nine months ending March 1 last, are not so large by nearly $3,000,000 as they were a year ago. This shrinkage, however, has not been great enough to endanger the continuance of the 6% rate on the stock and from present indications the company should earn close to 7% for the fiscal year ending June 30 next. That the management is not alarmed about the future is shown by the fact that there has been no attempt made to economize in maintenance expenses, for the amount spent during the current nine months for upkeep is even larger than that spent during the corresponding period a year ago.

Southern Pacific is a splendid property, located in a rapidly growing territory and managed with the highest efficiency. Its notable record of achievement, its enormous earning power, now second only to that of the Pennsylvania among the railroads, and its great financial strength, lead to the inevitable conclusion that no American road has a better outlook for the future, and that Southern Pacific stock, regardless of temporary fluctuations, is very cheap at the present price of less than par.

The Texas lines have not so far proved to be of large earning capacity. Operating expenses have ruled at a high ratio and consequently the balance after fixed charges has frequently been small. In some years these roads have failed even to show a surplus. They occupy a good territory, however, and should benefit by the opening of the Panama Canal. The earnings of the Oregon & California Railroad, it will be noted, have almost doubled within the decade. This property is likely to become very valuable to the Southern Pacific. The Louisiana lines, which give the company its

entrance into New Orleans, have proved to be a source of considerable profit to the parent company.

EQUITIES.

In addition to its railroads, Southern Pacific possesses large equities in other properties, some of which are closely allied to its own system. Foremost among these is the equity in electric railroads. One of these, the Pacific Electric Railway, with 1,100 miles of lines, is the greatest electric railway system in the world. Recent statistics show that this company is carrying more than 225,000 passengers daily, which is a far greater number than the total carried by all the Southern Pacific steam lines. This company is also doing a large and rapidly increasing freight business. The lines center about Los Angeles and radiate from that point in all directions. The earnings show that the property is carrying itself, but is not yet able to return anything on its $100,000,000 capital stock, all of which is owned by the Southern Pacific.

Another electric railway system, the Peninsular Railway, centers about Oakland and San Francisco, and is intended to comprise all the present and prospective railway lines on the San Francisco Peninsular, southward to San Jose. A third system is the Portland, Eugene & Eastern, which is constructing a line in Oregon, connecting the cities of Portland, Salem, Albany and Eugene. A great deal of construction work still remains to be done on these properties, but with the rapid development of the territory served, they should in time become a very large source of revenue to the parent company. As of June 30, 1913, the face value of the Southern Pacific's holdings in the stocks and bonds of electric railway properties amounted to over $172,000,000.

The Southern Pacific Company holds large interests in various oil companies, the largest being that of the Associated Oil Company with a stock capital of $40,000,000, of which Southern Pacific owns a majority. These companies are all producers, and paid dividends during the 1913 fiscal year aggregating $2,400,000 on the $28,000,000 of their stocks held by the Southern Pacific, which company also holds over $18,000,000 of their bonds.

Through its proprietary companies the Southern Pacific controls a great area of lands, probably approximating 10,000,000 acres in extent, much of which is well suited to agricultural purposes. Included in this acreage are lands containing a great wealth of oil and timber, and the total value of this property would probably not be overstated if it were placed at $200,000,000. In this connection, however, mention should be made that the Federal Government has instituted suits to recover possession of a most valuable part of this acreage, basing its claims on certain alleged infractions of the laws of the United States relative to mineral lands.

A very important equity is the railroad property in Mexico. So far, the construction of this line has cost the Southern Pacific over $38,000,000 without considering interest, and probably some $15,000,000 additional will have to be spent before it is finally completed. Owing to the Mexican rebellion this road has not been able to do itself justice, and until conditions have become settled, no returns can be expected of it. Mexico is too rich a country, however, to remain permanently in its present state of unrest, and when its affairs have been restored to a normal basis, it is confidently expected that these lines, which are regarded as one of the best assets of the Southern Pacific, will develop into one of its strongest sources of revenue.

Other equities consist of steamship lines, certain small railroads not listed with the main group; a lumber company which, by the way, paid $100,000 in dividends during the 1913 fiscal year on a stock capital of $300,000, and interests in various other concerns of minor importance from an income-producing point of view. The steamship lines, directly owned, which give the Southern Pacific its entrance into New York, while a source of some revenue, would not decrease the company's earning power to any great extent if it should be obliged to give them up.

Jointly with the Atchison, Southern Pacific owns the Northwestern Pacific Railroad, which operates 400 miles of lines along the west coast of California.

This company has been showing a moderate surplus above its fixed charges and earnings should increase with the development of its territory. Southern Pacific owns all of this company's $17,708,000 refunding mortgage bonds and half of its $35,000,000 capital stock. The Pacific Mail Steamship Company operates a line of steamers plying between the Pacific coast and Asiatic ports. Years ago the company paid small dividends, but since 1899 all surplus earnings have been invested in new vessels. Southern Pacific owns $11,080,000 of this company's stock out of a total issue of $20,000,000.

Considerable doubt has arisen in the minds of a good many as to whether the Southern Pacific will be able to maintain the present rate upon its stock in case it is forced to surrender its equity in Central Pacific. In answer to this it may be said that while Central is admittedly very valuable to the parent company, its income is not absolutely essential to the maintenance of the latter's 6 per cent. dividends.

The entire capital stock of the Central Pacific is owned by the Southern Pacific. Out of the earnings of the former property, the latter company pays all operating expenses, taxes, interest and sinking fund charges, returning the balance of any surplus earnings unless such surplus is equivalent to more than 6 per cent. on Central Pacific's stock. In case any year shows an excess above the 6 per cent., one-half of such excess is retained by the Southern Pacific. The following table shows the company's surplus account for the past five years, with and without Central Pacific's annual contribution.

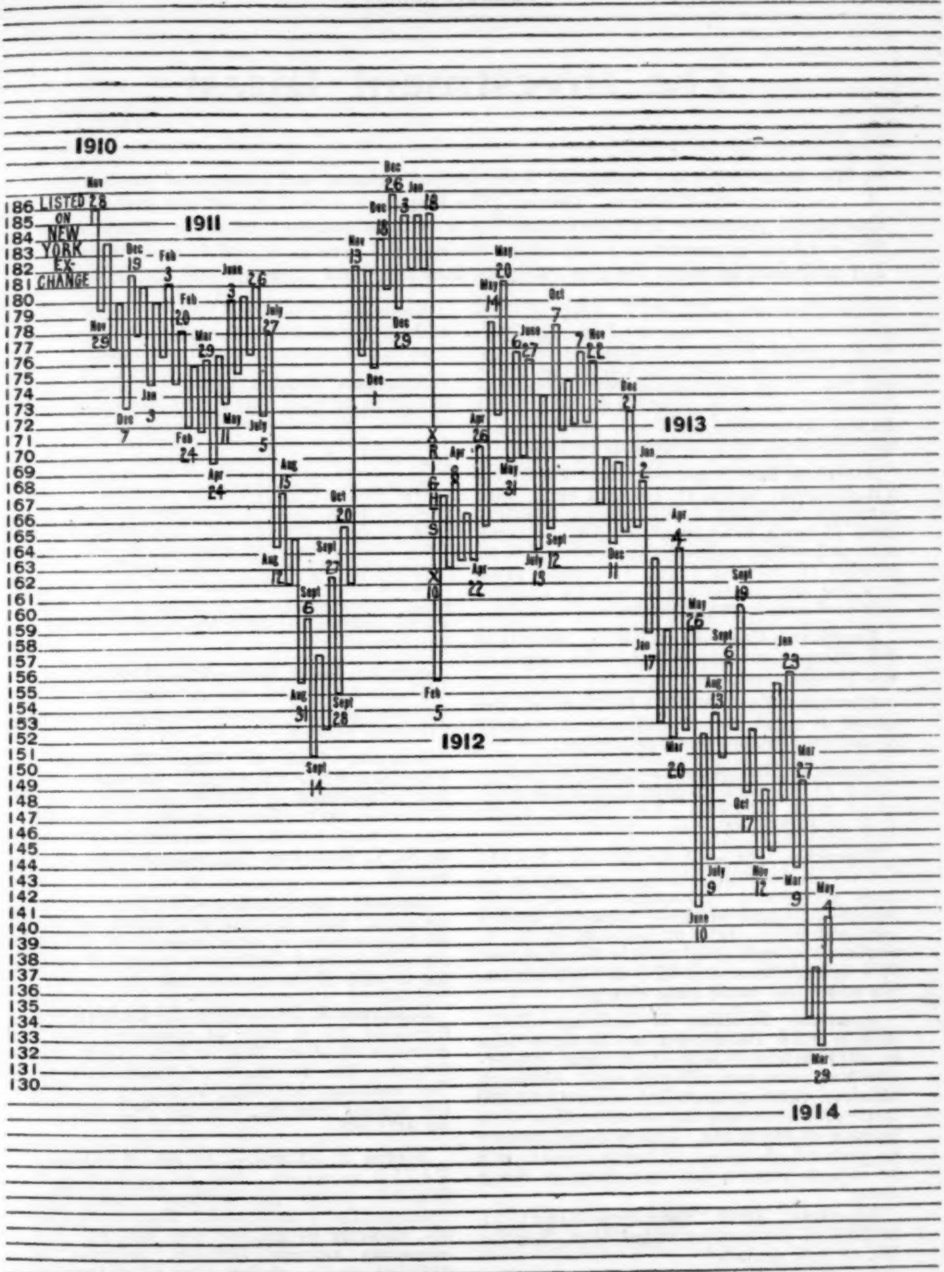
From the table given it will be readily seen that Southern Pacific in each year earned more than enough to pay 6 per cent. on its common stock without any aid from Central Pacific. The figures in the first column denote the amount actually available for common dividends after certain small sums have been written off, and the preferred dividend provided for in 1909.

Southern Pacific will not be expected to surrender its valuable equity in Central Pacific without due value being given in exchange. Probably $100,000,000 will be about the figure. If it were not distributed, this sum could be employed to bring in more revenue and, even at 4 per cent., would mean $4,000,000 a year, which would compensate in large measure for loss of the Central Pacific investment.

EARNING POWER.

Year June 30.	Bal. for So. Pac. Stock.	Equiv. Per Ct.	Paid by Cent. Pac.	Bal. less C. P. Payt.	Equiv. Per Ct.
1913.........	$26,867,807	9.85%	$7,540,530	$19,327,277	7.1%
1912.........	21,603,153	7.92	4,728,530	16,874,623	6.2
1911.........	26,088,992	9.56	7,896,446	18,192,546	6.6
1910	35,416,895	12,99	6,396,855	29,020,040	10.6
1909.........	21,822,835	10.20	6,099,447	15,723,388	7.3

LEHIGH VALLEY



The Investment Digest

THE items below are condensed from leading financial and investment publications and from official sources. Neither "The Magazine of Wall Street" nor the authorities quoted guarantee the information but it is from sources considered trustworthy. We endeavor to present in a few words the essential facts in regard to each company, For additional earnings, see also "Bargain Indicator" and "Monthly Net Earnings."

Allis-Chalmers.—PROFIT AND LOSS statement for 8½ mos. to Dec. 31, 1913, shows sales billed $11,127,621. Factory profit $1,624,140. Net manufacturing profit $606,596. Final net profit $755,125. Unfilled orders, close of yr., $3,358,684. Marked decline in business each mo. since August last, in sympathy with general recession.

American Beet Sugar.—SALES DURING YR. ENDED MAR. 31, 1,823,901 bags. Net earnings including miscellaneous products were 35 cents per bag of 100 lbs. Factory cost and selling expenses increased, due to amount of business done. Decreased price received due to increased world's production and severe competition.

American Can.—BUSINESS WOULD BE affected considerably for the better if war should start.

American Cotton Oil.—PFD. DIV. declared as usual, but no action in the matter of div. on common stock at present.

American Hide & Leather.—NET EARNINGS FOR 9 Mos. to Mar. 31 $652,536 compared with $792,911. Net current assets Mar. 31 $9,267,849.

American Ice.—EXTENSION PROGRAM in building artificial ice plants almost completed. Completion of 2 N. Y. plants increases artificial capacity 200,000 tons annually. 75% of ice sold in N. Y. artificial, as well as all sold in Washington; 95% in Baltimore and 95% in Philadelphia. No additional bond issue this yr.

American Smelting & Refining.—BALANCE FOR COMMON would have been in 1913 nearly 14½% if Mexican properties had been run full capacity. Although Mexican earnings curtailed about $3,000,000 last yr., Co. earned its common divs. with balance of $1,736,540. This was due largely to reduced charges. If peace comes, will be able to resume full operations in thirty days.

American Steel Foundries.—DEFICIT of $163,353 for quarter ended Mar. Regular div. of ½% declared.

American Telephone & Telegraph.—EARNED $36,476,000 gross for first quarter present yr. compared with $34,425,000 in 1913. Operating expenses heavy, therefore net earnings showed small gain.

American Tobacco.—SALES FOR Jan. and Feb. increased materially and Mar. and Apr. expected to show a similar gain.

American Woolen Co.—PFD. DIV. declared to be safe. Was paid last yr. out of surplus. Expected that sharp recovery in earning power will come about in 1914 and that div. will be entirely earned.

Atchison.—EARNED in 9 mos. ended Mar. 31 approx. 5.5% on common or at the rate of 7.3% for the yr. Expected last 3 mos. will show improvement in earnings. Operating expenses being curtailed. Decreased almost $4,000,000 in 9 mos. Very little improvement work under way. Little to be undertaken until business conditions are better.

Atlantic Coast Line.—EXCHANGE OFFERED holders of unified mortgage bonds for new general unified 4½s, par for par. Privilege expires Dec. 1, 1914.

Atlantic, Gulf & West Indies.—EXPENSES AND CHARGES not earned in Feb. Operated at 91.37% compared with 87.47% in 1913. Feb. loss due to interruption of business through weather conditions at N. Y. Mar. and Apr. expected to show poorly.

Baldwin Locomotive. — ORDER RECEIVED from Norfolk & Western Ry. for 40 locomotives to cost approx. $1,333,000. At end of April 7,000 men employed compared with 17,000 in Apr. last yr.

Baltimore & Ohio.—GROSS EARNINGS increased 2% in Mar. as compared with a decrease of about 14% in Feb. Large differences due to effect of floods last yr. Net earnings for Mar. increased $851,636 for similar reasons, whereas Feb. net fell off $453,000.

Boston & Albany.—LOCAL FREIGHT RATES increased. Est. to yield at least $130,000 more per annum. Operating revenues for 3 mos. ended Mar. 31 $3,633,-067, decrease of $220,000 over last yr. Net operating revenue $485,203; decrease of $337,082, making deficit after all deductions of $236,657.

Boston & Maine.—NOTES to amount of $27,000,000 mature next mo., but it is expected some provision will be made before

that time. Deficit, after charges, of nearly $1,700,000 for 9 mos. ended Mar. 31.

Brooklyn Rapid Transit.—EARNINGS STEADILY INCREASING. Current revenue substantially in excess of corresponding period last yr. Believed Co. will earn substantially more on stock than in 1913, when 9.16% was earned on outstanding stock for that period.

Case (J. I.) Threshing Machine.—ANNUAL REPORT for yr. ended Dec. 31 shows gross sales $13,417,406. Net profits $1,268,651, equivalent to 10.44% on the pfd. stock, compared with 18.63% in 1912.

Central Foundry.—ANNUAL REPORT for yr. ended Dec. 31, 1913, shows net profits after all deductions $65,812, equivalent to 1.43% on $4,600,000 pfd. stock as compared with 3.8% in 1912. Bad showing due to poor business in pipe.

Central Leather.—NET EARNINGS FOR MAR. QUARTER probably largest ever. Expected to cross $2,200,000. This would be equivalent to earning at the rate of 12% on the common stock. If this good showing is not held, Co. will easily earn pfd. divs. and sufficient to pay 2% on the common.

Chesapeake & Ohio.—EARNINGS probably 5% on stock for yr. ending June 30 next. Current earnings compare favorably with last yr. Apr. earnings ahead of last yr., both gross and net. If 5% freight rate increase granted would mean about $1,500,000 for the road.

Chicago & Alton.—DECREASE IN FREIGHT over last few wks. due to closing of mines pending wage scale negotiations. Apr. earnings expected to make better showing than prev. 2 mos.

Chicago, Milwaukee & St. Paul.—GROSS BUSINESS IN MAR. largest ever. Sharp reductions in expenses. Balance for divs. without other income approx. $1,644,086 against requirements for stocks of $1,161,272. If money market favorable will sell $30,000,000 4½% bonds, of which $17,000,000 will be used for improvements, $10,000,000 for refunding and $3,000,000 for emergencies.

Chicago & Northwestern.—OPERATING REVENUE for 9 mos. ending Mar. 31 last increased $792,942 over prev. yr. Operating expenses increased $824,238. Net operating income decreased $393,486. Total income decreased $955,582. Surplus after charges decreased $1,480,731.

Consolidated Gas.—SHAREHOLDERS vote on May 25 to increase stock by $25,000,000 to take care of the $25,000,000 6% conv. debentures just issued.

Corn Products Refining.—CURRENT PROFITS 3 mos. to Mar. 31 $1,071,059. After deductions $755,086—after dividend on pfd. stock $380,086.

Delaware & Hudson.—EARNINGS DURING 1st quarter poor. Decreases in freight all around. Also passenger operating expenses heavy.

Distillers Securities.—EARNINGS FOR CURRENT FISCAL YR. ending June 30 expected to be materially better than last yr. and to be double bond int. Floating indebtedness of Co. expected to be paid off entirely at end of fiscal yr.

Erie.—NET after taxes for 8 mos. to Feb. 28 $7,616,000 compared with $10,992,000 in 1913. If Co. does as well as last yr. in remaining 4 mos. total net will approx. $13,100,000 against $16,500,000 for yr. ended June 30, 1913. On showing to date likely to have only a small margin over fixed charges compared with $8,105,000 last yr.

General Chemical.—NET PROFITS for quarter ended Mar. 31, $652,271, compared with $616,029 for 1913. After payment of pfd. and common divs. balance of $268,151 remains. An increase of $15,682 over last yr.

General Electric.—GROSS BUSINESS for 1913 biggest in its history. Earnings on stock shown as 12.8%. Orders for 1913 $111,819,142 compared with $102,934,788 in 1912.

Great Northern Ore.—LEASE BETWEEN Co. and U. S. Steel terminates Dec. 31 next, by which time Ore Co. expected to have slightly more than $9,000,000 cash, or $6 per share on certificates. Fund may be used for working capital if trustees mine ore for market on Co.'s account. Net income of all properties estimated to be about $1,900,000 for 1914. Interests in the Co. confident of finding purchasers of ore at satisfactory prices.

Illinois Central.—TOTAL REVENUE 9 mos. ended Mar. 31 increased $1,831,325 over last yr. Net revenue increased $827,469 in same period.

Interborough-Metropolitan.—FUNDING OF OUTSTANDING NOTES in near future being considered by directors. Until Co.'s notes are funded not likely any div. on pfd. stock, as agreement exists practically prohibiting such action.

International Agricultural Corp.—REFINANCING plan under new management rumored, altho denied in some quarters. Believed nothing will happen until business outlook determined for some time ahead.

International Paper.—BUSINESS POOR, but almost equal to that of last yr. same time. Outlook not highly satisfactory.

Kansas City Southern.—GROSS for three quarters ending Mar. 31, more favorable than last yr. Net operating income decreased $77,743, due largely to heavier taxes. More than full yr.'s 4% pfd. div. earned in 6 mos. to the end of Dec. Outlook indicates 7½% on pfd. this yr. which would be equivalent to showing a balance of 2½% on common.

Kresge (S. S.).—GAINED $107,966 in Mar. gross. Quarter ended Mar. 31 gain was $470,869 over last yr.

Lackawanna Steel.—DEFICIT for 1st quarter of 1914 $445,207; larger than was expected. Few orders taken since Aug. Operations confined almost entirely to contracts taken during first three-quarters of the yr. Total deficit for 6 mos. ended Mar. 1914 $550,000. Second quarter of current yr. expected to show almost as large a deficit as 1st quarter, unless business takes pronounced turn. Same situation expected for 3rd quarter. Unfilled orders end of 1st quarter 191,828 tons, compared with 623,816 in 1913, and is the smallest of any quarter in over 5 yrs. Operating about 55% of capacity.

Laclede Gas.—GROSS EARNINGS for 1st quarter of 1914 increased over 1913. Net earnings after deductions and pfd. div. equivalent to 2% on common, against 2.25 last yr. Co. is thus earning its 8% annual div.

Lehigh Valley.—EARNINGS AVAILABLE for div. for yr. June 30 next expected to be only slightly over requirements. Net for 8 mos. ended Feb. decreased $2,253,000. Gross in 1st 9 mos. declined 10% and net 25%. Operating ratio was 72% against 67.6 last yr.

Mexican Petroleum.—Fate of company's oil supplies at Tampico depends on outcome of struggle now on in that vicinity. Estimated that the company has 3,000,000 barrels in storage most of which is located in tanks and most of which is insured mostly by British companies at such prices that in event of destruction it would suffer little loss.

Missouri, Kansas & Texas.—DROUGHTS of last fall seriously affected earnings, as also did floods in Texas last Nov. Present crop outlook in that territory excellent.

Missouri Pacific.—EXTENSION OF NOTES maturing June 1 requested by the Co. upon deposit of additional security and increasing the interest rate 1%. Whether this will be consummated will be seen toward the end of May. At least 6 mos. required for development of comprehensive plan of financial reorganization, which is apparently necessary. Business of the road poor, like all others.

National Enameling. — EARNINGS for yr. 1913 best since 1907, and surplus for divs. $233,000 larger than for the 18 mos. ended Dec. 31, 1912, and equal to 10.4% on pfd. and 1.8% on the common, after paying 7% on pfd.

New England Telephone. — GROSS EARNINGS 1913 increased $1,350,000 over 1912. Expenses also increased considerably, so that net earnings increased only $316,500. Practically all offset by increased charges. Surplus for div. equal to 7.33 on stock, compared with 7.25 in 1912. No new financing necessary this yr.

New York Central. — N. Y. STATE PUBLIC SERVICE COMMISSION has authorized issuance of $70,000,000 of bonds out of the new mtge. of which $25,000,000 has already been offered. Largely for refunding operations.

New York, New Haven & Hartford.—DEFICIT after charges of $870,628 for three quarters ended Mar. 31. Trend of earnings strongly downward, altho lately a little better. Operating expenses $1,000,000 more than yr. ago, to do $2,000,000 less business. Underwriting syndicate purchased $60,000,000 Co. and subsidiary notes to meet notes due shortly and for betterments and improvements.

New York Railways.—EARNED NOTHING on its 5% adjustment bonds in Mar., while for 3 mos. ended Mar. 31 only small balance available. N. Y. Life Ins. Co. has begun proceedings to compel payment of full 5% int. on these bonds.

Nickel Plate.—NET for yr. ended Dec. 31, 1913, decreased $893,149 compared with prev. yr. Surplus $827,574 compared with $1,781,860 for 1912. Equivalent to .19% on common after paying pfd. div., compared with 6.30 prev. yr.

Norfolk & Western. — GROSS EARNINGS for 9 mos. half a million dollars ahead of a yr. ago. Balance after charges $1,602,000 under last yr. But equivalent to 6.2% on common after full divs. on pfd. Indications 8¼% will be earned on common this yr. compared with 10.1 in 1913.

North American Co. — PROSPEROUS YR. in 1913. Amount earned and available for divs. 7.05% compared with 7.21 in 1912.

Northern Pacific.—FINANCING PLANS involving an issue of probably not to exceed $25,000,000 bonds expected to be consummated shortly. New mortgage expected to be created. Few bonds remain available under old mortgages.

Pennsylvania R. R.—SOLD ITS $7,658,480 Southern Pacific Conv. Bonds to bankers en bloc at a price said to have been a little better than the open market. Gross earnings running nearly parallel to those of 1913, but net not so good.

Pittsburgh Coal. — GROSS RECEIPTS for yr. ended Dec. 31, 1913, $36,266,146 as compared with $34,420,720 in 1912. Net earnings 1913 $6,421,703 compared with $4,427,063 in 1912. Surplus available for divs. on pfd. 10.07 in 1913 compared with 7.44 in 1912. Production this yr. cannot reach that of 1913 unless business becomes more active.

Reading.—Dividends of 8% on stock will barely be earned for year ending June 30 next if indications are correct. This will be due to the policy of appropriating for additions and betterments. Before these are allowed for the indications are for a showing

of about 10½% and 7½% after. Little apprehension of a reduction in dividend as the company has a large accumulated surplus.

Riker & Hegeman.—Sales for April increased 16% in April as compared with last year. Gross sales for the year 1914 expected to be over $17,000,000. Stock dividend of 10% expected in the near future. Change in Board of Directors to include Whelan interests to occur this month.

Rock Island.—Report of Vice-President McKenna of the St. Paul states that $31,000,000 expended on the Rock Island over the next three years will put it in profitable condition and that $65,000,000 is needed over the next five years.

Sears-Roebuck.—Gross sales for April $8,612,070, an increase of 4.89% over the same mo. last yr. For four mos. gross sales $34,256,602 or 7.29% ahead of 1913.

Southern Pacific.—Convertible bonds to amount of about $39,000,000 out of the $54,500,000 went to stockholders.

St. Louis San Francisco.—Gross earnings for fiscal yr. to the end of April about equal to those of yr. ago. Understood Receivers are spending much money on the property out of earnings.

Tennessee Coal & Iron.—Dividend declared on common stock, the first since 1907.

United Cigar Stores of America.—Earnings available for common dividends equivalent to about 6.82%.

United Fruit.—Rumor of financing is regarded in well-informed quarters as unfounded. For six months to March 31 freight and passenger business gained about 5%.

United States Realty & Improvement Co.—Fiscal yr. ended April 30 showed earnings approximately same as last yr. when 9.16% was earned for dividends. Co. has established an engineering department to do general engineering work which is expected to add substantially to revenue.

U. S. Smelting & Refining.—Earnings may suffer so from Mexican disturbance that dividends on the com. may be temporarily reduced, but preferred stock is believed perfectly safe.

United States Steel.—Unfilled tonnage April 30 4,277,068 the lowest since November, 1911. Com. dividend seems to be in no immediate danger, altho earnings are badly affected by the continuance of the poor business.

Union Pacific.—Earnings for nine mos. to Mar. 31 were: Gross $71,188,262, a decrease of $615,380 over last yr., while revenue over operating expenses and taxes was $24,991,591, a decrease of $2,636,013.

Willys-Overland. — Shipped over 5,000 finished automobiles during Mar.

F. W. Woolworth.—Reports show steady increase in gross sales in first four mos. Mar. was a little under last yr., but April was much better than last yr.

Mining Stocks

This section of the Investment Digest includes some of the more important properties, in regard to which authentic and trustworthy information has appeared during the month.

Alaska Gold.—The surprising strength of shares in a generally weak market is due to recent ore developments. At the crosscut from bottom of shaft to connection with Sheep Creek tunnel, was unexpectedly developed, 100 ft. of gold bearing ore, which was not known to be in existence in the property. All this 100 ft. was "commercial," and the last 10 ft. averaged $200 per ton, running in some places to $300 per ton. In addition to this for a distance of 600 ft. a third vein shows a width of 135 ft., averaging $3 per ton. The first section should go into operation at end of this yr. The report for 1913 is issued. Balance sheet shows investment in stock and bonds of Alaska Gastineau Co. of $4,030,884, compared with $3,680,291 in prev. yr. Co. also holds $1,800,000 notes of the Gastineau Co. Cash on hand Dec. 31, 1913, was $1,740,750. Balance sheet of Gastineau Co. shows current assets of $161,752, with current liabilities including the $1,800,000 notes payable to Alaska Gold Co. amounting to $2,125,907. Included also in current liabilities is bond int. of $192,500, of which $179,712 is due Alaska Gold Co.

Anaconda-Amalgamated.—Anaconda has offered to purchase all assets and business of the International Smelting & Refining Co. and to exchange its stock for stock of International Co. on basis of 3 3/10 shares of Anaconda for one share International upon condition that Inter Co. will immediately call special meeting to take action upon proposal to sell and liquidate. Anaconda Co. furnishes a large part of business in Inter Co. in refining its copper under

contract which expires in 2½ yrs. Report of Anaconda for 1913 shows net earnings $11,323,497, or $2.60 per share, compared with $15,856,334, or $3.66 in 1912. After payment of divs. amounting to $12,997,500 a deficit of $1,674,003 resulted, compared with surplus of $5,025,084 in 1912. Barring 1912 Anaconda has in every yr. since 1906 dipped into surplus to pay divs. In 7 yrs. divs. have exceeded earnings by nearly $3,000,000, although Co. has large surplus with which to meet deficit. Working capital at end of 1913 yr. stood at $16,733,000, compared with $20,429,000 at close of prev. yr.

Whatever expansion may be, Amalgamated will not be directly involved. A new corporation will be organized to own, hold title to and operate the various smelters to be acquired. Amalgamated as a corporation will continue to hold as its chief asset, the majority stock of Anaconda. Amalgamated has declared a regular quarterly div. of $1.50 a share, payable May 25 to stock of record Apr. 25.

Braden Copper.—Co. made another new high production record in Apr. with a yield of 2,720,000 lbs., an increase of nearly 1,000,000 lbs. over Mar. output, when there was a 10-day shutdown at the smelter. We compare production as follows (pounds): 1st 4 mos. 1914, 9,313,000; 1913, 5,492,000; 1912, 2,526,000. Average extraction was 69.90% against 72.18% from ore averaging 2.35% copper.

Butte & Superior.—A little over yr. ago, Co. was inadequately financed, accounts in a state of confusion and little known by the then management as to scientific and economical mining methods. Eastern management recently advised that concentrates are now running better than 54%, the highest grade that the property has ever produced. Co. has fully maintained ore reserves and a constantly increasing mill recovery. Property is in excellent condition, and has a plant with a nominal capacity of 1,200 tons per day. Costs decreased until $5 per ton has been realized, and total cost including expenses of every kind is now 4c. per lb., which has been realized in the short space of a yr. It has large cash resources, and an established earning capacity. Property is now earning about $100,000 per mo. on present low 5c. rate spelter market. Report for yr. ended Dec. 31, 1913, shows production 102,102,868 lbs. of zinc. Net earnings $942,988, equal to $3.50 per share. Balance sheet as of Dec. 31 shows surplus of current assets over current liabilities $792,770. It is believed that an initial disbursement will be made within next 60 days of not less than at rate of $3 per share per an.

Chile Copper.—The "Chuquicamata mines" of Chile Co. give promise of greater ore body than calculated. While claims had official sanction, those who know most about the property assert that there are at least 300,000,000 and probably 400,000,000 tons of pay ore within Co.'s boundary limits. In test treatments by leaching, a recovery of over 90% of copper in the ore has been obtained. This would mean a yield of better than 40 lbs. of copper per ton, contrasted with less than 20 lbs. by Utah Copper. A cost of not over 5c. per lb. is the prediction of Guggenheim people, a figure which would seem to be justified by high grade of ore, and economical process. The first unit of "Chuquicamata plant" will treat 10,000 tons of ore per day. The electrolytic refinery will have a capacity of 120,000,000 lbs. per yr. The ore will be mined by steam shovels, taken to the mill about 2½ miles away.

Chino.—The ore reserves at end of the yr. were fully as large as at the beginning. These are placed at 90,000,000 tons averaging 1.87% copper. There was set aside for depreciation $212,146. Reports for 1st quarter of 1914 shows production of 18,089,127 lbs. of copper. Net earnings were $1,238,982 surplus after payment of $648,615 in divs., being $590,367. Cost of production was 7.57c. per lb., compared with 9.42c. in prev. quarter. Pres. MacNeill says: Copper in ore treated was 2.18%, against 2.08% for fourth quarter of 1913. Average extraction was 68.05%; prev. quarter was 65.54%. Earnings are based on 14.4227c. per lb. for 1st quarter of 1914, and 15.28c. for fourth quarter of 1913. During this quarter $112,000 of 1st mtge. bonds were retired, leaving outstanding only $124,500. The remaining bonds have been called for redemption July 1, 1914, at which time the right of conversion into stock terminates.

Copper Range.—In annual report, Co. makes an unfavorable showing as compared with previous yrs. Receipts from copper were $3,700,844 against $6,071,095 in 1912, and $4,655,127 in 1911, which net income was $490,536 compared with $1,692,566 in 1912, and $804,560 in 1911. Net earnings were $1.25 a share, compared with $1.29 in 1912, and $2.04 in 1911. Average yield of refined copper was 25.24, against 21.07 in prev. yr., and 20.87 in 1911. The average price received for copper last yr. was 14.87c., against 16.16c. in prev. yr., and 12.54c. in 1911. Average cost was 11.71c., compared with 10.51c. in 1912, and 9.74c. in 1911. Divs. in 1913 were $1,084,498, against $788,428 and $1,357,104 in 1912 and 1911, respectively. After payment of divs. Co. showed a deficit of $593,962, against a surplus of $904,137 the prev. yr. and a deficit of $552,544 in 1911. The loss in net earnings are chiefly from low prices for the metal during 1913.

Goldfield Consol.—Co. asked for extension of time on its option on controlling interest in Aurora Consol. This was refused and the option has lapsed. Mar. production was 30,349 tons of ore, which netted $161,286. Development work totalled 2,789 ft. Estimated production for Apr: Total tons mined 28,215; gross extraction $324,000; operating expenses $171,000; net revenues $153,000.

La Rose Consol.—The report shows combined surplus to be $1,602,005, an increase of $23,413. Ore reserves decreased about 700,000 ozs. and net value decreased about $461,000. The production was 2,636,000 ozs., about 180,-

000 less than prev. yr., at total cost of 22.8c. per oz., leaving a profit of 36.52c. per oz. The cost of production was 3.13c. less than in 1912, but price received for silver was 2.34c. less. Balance sheet as of Mar. 31, 1914, showed cash and ore on hand amounting to $1,715,920, of which $1,502,258 was in cash.

Miami.—Co. established a new low cost of production in Mar., when it laid copper down in N. Y. at 8.6c. a lb. This is a decrease of 2c. a lb. from 1913. The high cost of last yr. was due to cave-in during spring mos. The management estimated gross loss at $250,000. This including actual cost of repairing damage.

Nevada Consol.—Co. report quarter ended Mar. 31 last shows cash on hand $102,907; accounts collectable $452,853; accounts payable $151,199; undivided profits $2,892,598, and total assets and liabilities $21,317,005. Production during quarter amounted to 15,597,595 lbs., compared with 14,523,365 lbs. in corresponding period last yr. The cost including "Steptoe plant" depreciation and all charges except ore extinguishment was 10.21c. Earnings for quarter are computed on basis of 14.413c. per lb. Copper on hand and in transit sold and unsold at end of quarter was 24,663,026 lbs. Deficit for quarter is $177,040.

Nipissing.—Co. reports for 1913 net profits equal to $1.37 per share, on its 1,200,000 shares of stock. Surplus assets at end of yr. were $1,259,061. Ore reserves of 9,510,000 ozs. show decline of only 133,000 ozs. compared with a yr. ago, notwithstanding 4,552,173 ozs. were produced during the yr. Co. has been operating 10 yrs. and has produced 32,585,418 ozs. of silver at a net profit of $17,569,166. Pres. Earle says: "The average price received for silver was 60.26c. an oz. The known ore reserves contain 9,510,000 ozs. silver, about one-half of which is high grade ore. These figures show reserves and surplus at almost high record point.

North Butte.—Co. in 1913 produced more copper than during any yr. since 1909, and had it not been for the lower price obtained, earnings would have made a new high record also. As it was, earnings were only slightly less than last yr. and profits amounted to $3.34 as compared with $2 per share paid in divs. Since 1909 Co. has made splendid progress both in economy of operation and earning power. The report states that ore reserves were maintained unimpaired during the yr. During yr. 20,000 shares of stock were issued in exchange for new mining properties —a fact which accounts to a large degree for the drop in share earnings.

Ray Consol.—OPERATING PROFITS for first quarter of 1914, including earnings from Ray and Gila Valley R. R., were $913,004, against $731,766 in last quarter of 1913, and $682,625 in corresponding quarter of 1913. A total of 17,234,346 lbs. was produced during the 3 mos. Average cost per lb. from milling ores, after allowing for smelter losses and applying divs. of the Ray & Gila R. R., but no other income as a credit to cost, was 9.211c. The combined cost of net copper from milling ore, and direct shipping ore, was 9.14c. The underground development was 29,832 ft., making total development to date 406,804 ft. Earnings are based on 14.4117c. per lb. Total amount copper on hand, in transit, sold and unsold at end of quarter was 22,614,122 lbs., inventoried at average of 14.1605c. per lb. Unsold portion at 14.1217c. Property is now on a strictly operating basis, and during the balance of yr. should maintain present output of more than 8,000 tons per day.

Tennessee Copper.—OUTPUT in Mar. was 1,262,184 lbs. Total for 3 mos. in 1914, 3,969,886, against 5,281,182 in 1913, and 4,488,056 in 1912.

Utah Copper.—Co.'s 1913 report shows a very satisfactory yr. in which two new records were made—production and earnings. The output of 113,900,000 lbs. of copper beat prev. high record by over 20,000,000 lbs. Co. added over $3,000,000 to surplus after paying $4,747,000 in divs. and charging off $507,000 to depreciation. Working capital Dec. 31 last was $3,415,000, against $1,688,000 at close of prev. yr. Co. made a substantial addition to ore reserves last yr. which now stand at 332,500,000 tons, averaging 1.47% copper. Compared with prev. yr. increase was 16,000,000 tons in excess of tonnage mined; effect of this increase is to add at least 2 yrs. of productivity to property, making present ore supply sufficient for nearly a half-century—treating 20,000 tons of ore per day. The report states, practically all construction and improvement work is now completed. Report shows cost of 9.256c. per lb. and net earnings of $8,513,000, or $5.37 per share.

Utah Consol.—Co. owns 5,000 shares International Smelting & Ref. stock. If the International Co. is exchanged under Anaconda offer, Utah Consol. will become the owner of 16,500 shares of Anaconda on which it will receive an annual income of $49,500 as compared with present divs. of $40,000 a yr. on its International holdings. These figures are based on continued div. payments of $3 per share by Anaconda.

Mining Notes.—The Copper Producers' Asso. reports stocks of copper on hand May 1 as 17,337,001 lbs., an increase of 5,727,682 lbs., as compared with 64,609,319 lbs. on Apr. 1. Production and deliveries compare as follows:

	April.	March.
Production	151,500,531	145,651,982
Domestic deliv.	63,427,633	69,852,349
Foreign deliv.	82,345,216	89,562,166
Total deliv.	145,772,849	159,414,515

Apr. production is a high record by nearly 6,000,000 lbs. and follows a mo. which also established a high record. Exports since 1st of yr. have been at rate of over a billion lbs. per an. Domestic deliveries for 1st 4 mos. of 1914 are approx. 51,000,000 less than for same period in 1913.

Earnings and Dividends

The Position of Standard Stocks Viewed in Perspective

Colorado Fuel

HOLDERS of Colorado Fuel Common have now a longer look for even a little dividend disbursement than they had a few months ago. The stock has not suffered much in the market although it fell from around 35 to 25 when the worst of the coal strike troubles in Colorado were felt. Since then it has recovered somewhat.

The situation with this stock was about like this. There was a pretty well settled idea about a year ago to pay off the preferred dividend that has accumulated which by July 1 next will amount to about $700,000 or 35 per cent., and to get the ground cleared for a small payment of dividend on the common. There was considerable activity in the stock for a few weeks and the shares traded in amounted to a considerable aggregate for a few weeks.

Then the unexpected happened; the big strike broke out among the miners of the company. The coal business of the company has consequently suffered greatly during the past few months. And the steel business has not been any too brisk because of the general dullness throughout the whole trade. All this put off the day of dividends on the common indefinitely. And it is now a question when the accumulated dividend on the preferred will be entirely paid off.

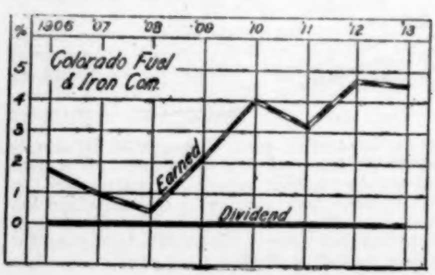
The people interested largely in the common stock, that is the Rockefeller interests can afford to wait many years. They do not need the dividends. The preferred stock requires a comparatively small amount annually and so the balance can be laid away for an accumulating surplus. Besides, the damage and loss incident to the recent strike will take quite some money to repair.

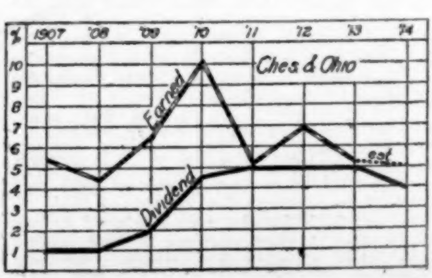
It would not be amiss to guess that the common stock will stand very little chance of getting any dividend return for another two years.

Chesapeake & Ohio

Chesapeake & Ohio stock around 50 gives a pretty fair indication of the uncertainty hanging around its dividend. By the terms of the indenture under which the company borrowed some $33,000,000 last April when it had about $25,000,000 in notes maturing, the company must put back into the property $17,000,000 out of earnings during the next five years. The first $2,000,000 of this must be put in during the next fifteen months, that is the first quarterly payment must be made August 1 next.

Now, it seems from the condition of the earnings for the three quarters ended March 31 last when there was shown an average monthly surplus available for dividends of some $273,000 or $2,459,331 for the period. If the next quarter ending June 30 and completing shows up as well the surplus should estimate something over $3,200,000. Four per cent on the $62,792,000 stock amounts to $2,511,000 so it will be seen that so far





as earning ability is concerned the company ought to be able to pay the full amount of dividend and still have sufficient left over to take care of the first payment of $500,000.

It will be seen that there is only a narrow margin between the amount required for dividend and the money actually available. Whether it will be in the mind of the management to cut the dividend down to save a little surplus for the year or whether they will pay the full amount, thus leaving comparatively little left, is problematical. It would appear from the action of the stock that there is considerable probability that the full four per cent. will be allowed to remain for the year. Next year, however, the earnings must go up because the company must pay out $3,000,000 under financing arrangement of last spring. If they do not then it will be a good guess that the dividend will come down.

American Locomotive

Although the American Locomotive Company has no advance business on its books at present, it will show the full year's dividend earned on the preferred stock. This was accomplished during the first half of its fiscal year from July 1 to December 31, 1913. Since the last named date, very little new business has been received and operations have been much reduced.

Other motive power companies are facing the same difficult problem of keeping their plants running. It is understood that bids for building locomotives recently have been the lowest ever recorded and are unlikely to show the manufacturers any profit.

The outlook for the 1914-15 fiscal year is not at the moment very flattering. Even if the interstate commerce commission arrives at a decision in the eastern rate case by the end of May, it is not likely that the railroad companies will be in a position to place many orders for new business, except for immediate needs, until late in the autumn. Such business, if it develops, would hardly be reflected in net profits until next spring.

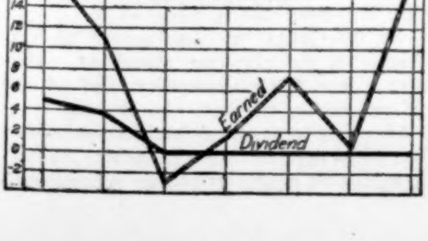
Total orders for locomotives thus far in 1914 have totaled only 632 or at the average rate of 1,900 annually. The American Locomotive Company has a manufacturing capacity of 3,500 locomotives a year or about the same number as the combined capacity of the next two largest companies.

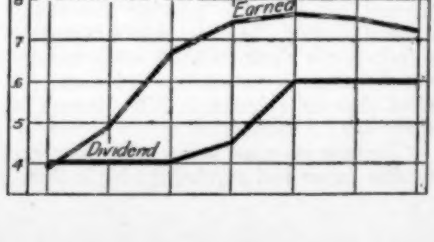
The agitation over the management has nearly subsided. Some things could be improved, but dividend prospects for the common stock would not look much better under any other management. It is the equipment buying of the railroads that makes for dividends. When they buy locomotives enough the company can earn the money for its dividends.

Consolidated Gas

The only real question about Consolidated Gas stock is just how much it would get in dividends if the directors paid all they really could. That arises out of the underlying question of how much is being earned on the company's subsidiaries all around. If the report of the larger company were the measure of the worth back of the company's stock it would not be nearly so good an investment as it is.

If the investor puts together the combined figures of the subsidiaries which may be derived from the Public Service Corporation's records he finds that the Consolidated Gas stock is a veritable Lackawanna among industrials. By considering all the subsidiaries the amount available for dividends in 1913 can be shown to be over 17 per cent.; the report shows a little over 7 per cent.





OIL DEPARTMENT

When to Buy Standard Oil Stocks

The Timeliness of Buying Them Now When Low

By JOHN WARREN, Editor, "Petroleum Age"

WHEN to buy securities always has been to me a more fascinating angle of the investment problem than what securities to buy. The Standard Oil stocks furnish an entertaining example in point. With the exception of the Colonial Oil Company, which is nothing but the remnants of an arrested liquidation, every one of the thirty-four segregated companies represents a substantial business enterprise, scientifically organized, efficiently managed, aggressively progressive and astonishingly prolific in earnings and dividends. Also, while the stock of adjectives holds out, we may add, so perplexingly perverse marketwise, that a problem in chess—or draw poker—is child's play compared with the achievement of an opportune purchase in the Standard Oil stocks.

One of my friends, a gentle soul, who has achieved wealth by applying a foresighted appreciation of the law of supply and demand to his operations in pig iron, chaffs me quite a bit about the Standard Oil stocks, and I confess that I am entirely at his mercy when he asks why the refining or manufacturing stocks go down and not up, when the price of crude oil or the raw material falls.

One of his theories, which paves the way to the point I am driving at, is that the investor should assume the same attitude toward securities that he does toward pig iron or another merchant toward lumber. In short, buy when good offerings are cheap and sell when the demand increases and prices advance. I tried that on a broker. Why doesn't it work out? I demanded.

"Because common sense rules the commodity buyer and psychology is the dominant factor in the stock market," replied Sir Oracle of the Curb. When pressed to explain, he waxed more subtle. "Your friend who buys pig iron knows why he buys. The average investor only thinks he knows. The one acts in accord with known facts, the other in accord with theories of his own invention."

The germ of truth in this reply is that a large percentage of the stock holdings in all our great railroad and industrial enterprises represent the investments of persons unfamiliar with the business their money is helping to operate; unacquainted with the inside workings of the enterprise and unable, possibly, to grasp the full significance of generally known facts regarding a particular industry.

This is an inevitable incident of modern business expansion and not an altogether unfortunate one, if it were not that the average investor, who has acted on a theory—whether that theory was based on the reliability of a tip to buy a certain stock, or upon the character of the management of a certain company or its record of earnings—begins to lose his nerve the moment his theory ceases to work out as anticipated. Once he loses his nerve, he becomes gregarious, a typical stock market lamb. If others in the same dilemma sell, he sells. Quite as often the impulse of the flock is to buy. Then, everybody buys for no other reason than that everyone else is doing so.

At this point, we may revert to the theory of the pig iron merchant. His idea was to buy at low prices and sell on an advancing market. In the pig iron trade, that is a sound business principle but when applied to the securities market it would be characterized as speculation.

Nevertheless, it is sound common sense, whether one buys securities to sell or buys for dividend returns.

In the Standard Oil market, it is conceded generally that all the stocks are good, not equally so perhaps, but in none of them is there an element of weakness, arising from overcapitalization, lack of working capital or inefficient management.

Owing to the inexorable law of supply and demand, they are subject to alternate periods of depression and expansion, like all other industrial enterprises. For the last six months, in sympathy with all other business, they have suffered a falling off in profits. Belated recognition of this fact, reflected in the curtailment here and there of extra dividend disbursements, has brought these stocks to the lowest level in many months.

We may compare, for example, the high price for 1914 with the bid price on May 15, as follows:

	High Sale 1914.	Bid Price May 15, 1914.
Anglo-American Oil Co.	18⅞	16½
Atlantic Refining Co.	858	615
Borne-Scrymser Co.	375	275
Buckeye Pipe Line Co.	184	140
Chesebrough Mfg. Co. Cons.	690	660
Colonial Oil Co.	116	100
Continental Oil Co., Colorado.	273	210
Crescent Pipe Line Co.	69	49
Cumberland Pipe Line Co.	73	53
Eureka Pipe Line Co.	355	260
Galena-Signal Oil Co., Pref.	140	141
Galena-Signal Oil Co., Com.	196	178
Indiana Pipe Line Co.	158	137
National Transit Co.	47½	38
New York Transit Co.	333	270
Northern Pipe Line Co.	133	114
Ohio Oil Co.	200	176
Prairie Oil and Gas Co.	610	448
Solar Refining Co.	400	300
Southern Pipe Line Co.	260	218
South Penn Oil Co.	425	275
Southwest Penn Pipe Lines	170	145
Standard Oil Co. of California	366	306
Standard Oil Co. of Indiana	577	450
Standard Oil Co. of Kansas	538	402
Standard Oil Co. of Kentucky	299	265
Standard Oil Co. of Nebraska	505	340
Standard Oil Co. of N. J.	436	409
Standard Oil Co. of N. Y.	257	214
Standard Oil Co. of Ohio	490	405
Swan & Finch Co.	338	190
Union Tank Line Co.	107	85
Vacuum Oil Co.	258	217
Washington Oil Co.	77	47
Waters-Pierce Oil Corporation	116	84

At the time these stocks were soaring to their high levels the public was falling over itself to buy them. For two weeks prior to May 15 the buying was feeble and spasmodic.

Granting that the declines from the high levels of March followed reductions in dividends and other unfavorable business developments, it does not follow that the oil industry has collapsed and that there is nothing but receiverships ahead for these companies.

Sensible persons realize that business depression must be followed by a business revival. The oil industry is due to pick up and flourish even more than it did in 1913. What will be the result? Once again these companies will resume the omitted dividends dropped in one quarter, profits will mount up, stock distributions will be in order.

Now, who is going to profit most by this revival—the man who buys these stocks at the present level or the man who buys them at the crest of the next advance? A word to the wise should suffice.

There are no qualifying circumstances with regard to the Standard Oil stocks. Omitting Colonial Oil and Washington, Oil, they are all as good as gold bond. The time to buy them is now, when they are at rock bottom.

A FALLACY of finance that deludes many investors is that to buy bonds is to take no chances—that it is not speculating. You can speculate as wildly in bonds as in stocks. It makes all the difference in the world what kind of bonds you buy.

Oil Notes

Pertinent Pointers for Those Interested in Oil Securities

ON account of the tremendous earnings made by the Standard Oil Companies in 1912 and 1913, most speculators and many investors had assumed that they were immune from the ordinary ups and downs of other business enterprises. They are not. And when the public began to realize that, about two months ago, the knowledge came as a terrible shock.

BUT there is no reason why investors should be alarmed because the earnings of the oil companies show decreases for a period of six months or a year, as they undoubtedly have been doing during the last six months. It is to be expected in the normal course of business and it never worried the old "Standard Oil crowd." They held on to their stocks just the same, year in and year out.

EVERY idle car on our railroads (and there are over two hundred thousand of them) and every idle wheel in our factories (and there are millions of them) mean the consumption of so much less oil products temporarily. But the cars are not going to remain idle, and the wheels are going to revolve again. When it comes to efficiency in the production, transportation, refining and marketing of oil, the Standard Oil Companies cannot be surprassed. But they are not superior to the economic laws of supply and demand, as one might suppose if he believed all he heard from uninformed or irresponsible quarters.

WHEN John D. Rockefeller referred to the oil industry as a "hazardous business" he meant especially the producing end of it. That is hazardous to the extent that any mining venture is hazardous. But the refining and marketing of oil is no more hazardous than any other industrial enterprise, and as conducted by the Standard Oil Companies much less so than most industrial ventures.

REDUCTIONS in the price of crude oil which began early in April will, of course, mean smaller earnings for the producing companies such as Prairie Oil & Gas, South Penn Oil, Ohio Oil, and Washington Oil temporarily. But it is not going to materially hurt the refining and marketing companies. Indeed the lower prices for crude would tend to help materially the refining companies which now are able to buy their raw material cheaper. Some of them, of course, had fairly large stocks of merchandise on hand manufactured from high-priced crude, but when these are worked off they will begin to benefit from the lower prices for crude now prevailing.

ONE of the companies hardest hit by the break in crude was Prairie Oil & Gas. The company, which is one of the largest producers in the Mid-Continent field, has on hand about 44,000,000 barrels of crude oil, the price for which has dropped from $1.05 to 75 cents a barrel in two months, That means a book loss of about $13,000,000 for the company. Meanwhile the stock has declined in market price over $150 a share, or a total depreciation in market value of the company's $18,000,000 stock of about $27,000,000. That looks like some discounting, and there has taken place much the same sort of discounting in the whole list.

TRADERS DEPARTMENT

SPECULATION: Operations wherein intelligent foresight is employed for the purpose of deriving a profit from price changes

Advantage of Trading in the Three Leading Stocks

How Reading, Union Pacific and Steel Common Dominate the Market

By RICHARD D. WYCKOFF

IT is interesting to examine the transactions in the three leading speculative stocks—Steel, Reading and Union Pacific—and to observe how these issues dominate the market.

Out of every hundred shares traded in for the three years ending with 1913, there was an average of twenty-one shares of Steel, over sixteen shares of Reading, and nearly eleven shares of Union Pacific. These three combined accounted for nearly half the total transactions, the actual figures being 48.3 per cent.

When we consider the number of other listed stocks—about three hundred—and the fact that the remaining half of the transactions was divided among them, we realize the importance of studying the movements of this trio.

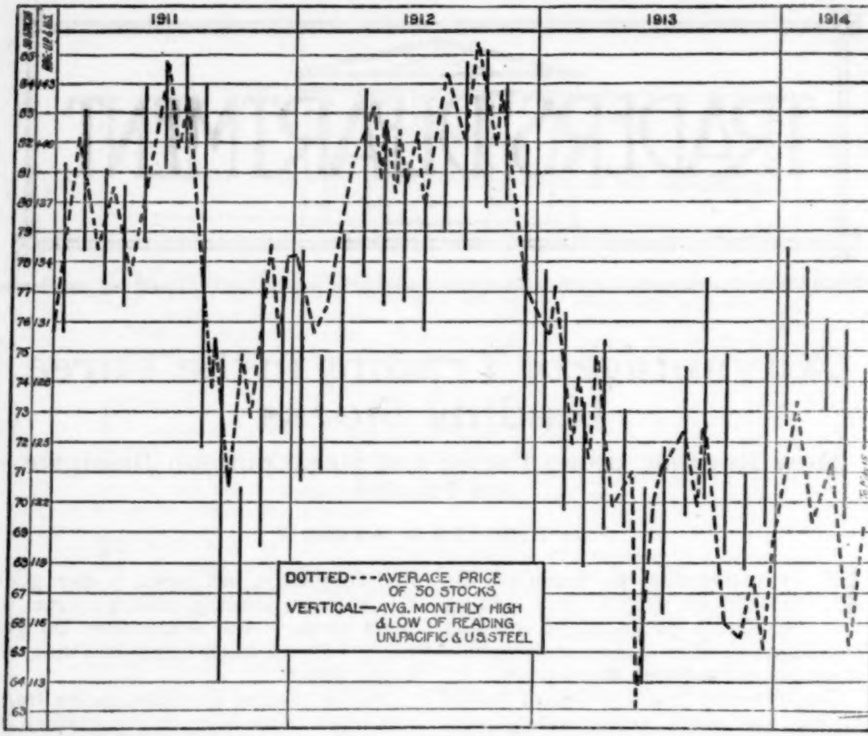
In the usual day's session there are perhaps one hundred and twenty-five issues dealt in. With the exception of Amalgamated Copper, almost every stock on the list is omitted altogether from the day's reports with greater or less frequency, but never a day goes by without trading taking place in these three. And when they do get really busy no other issues roll up such heavy totals.

Stocks become favorites in the trading when there is much uncertainty in their affairs. That it is not so much a question of the number of shares outstanding is proved in many instances. There are almost ten million shares of Pennsylvania, with little or none locked up in the treasuries of other roads, and only one million and four hundred thousand shares of Reading, say half of which is so sequestered; yet transactions in "Pennsy" are but trifling in comparison with Reading.

VOLUME OF TRANSACTIONS IN READING, UNION PACIFIC AND STEEL, AND PERCENTAGE OF TOTAL VOLUME.

	1911		1912		1913	
Reading	17%	21,900,000	17%	22,289,000	16%	13,674,000
Union Pacific	13%	16,876,000	8%	10,626,000	11%	8,793,000
Steel	26%	31,265,000	19%	24,626,000	18%	15,250,000
Per cent. and year's total	56%	127,207,000	44%	131,128,000	45%	83,470,000

As soon as a stock becomes one of the very active issues, we may be sure people are talking of its dividends or prospective melon, lawsuit or other development in its affairs, all of which tends to produce various opinions favorable or otherwise. It is these opinions which make traders and investors



active on both sides of the market. A few years ago New Haven was seldom dealt in. Now, when its dividends are passed, people are guessing "What next," and they make ventures accordingly.

Reading, Union and Steel are the best advertised stocks on the list. There is always something doing in these companies. Others come to the fore at times, but they do not hold their prominence. In former years American Tobacco, B. R. T., St. Paul, American Sugar, Lackawanna, Burlington and others held the spotlight, but the scene changed as stable earnings, regular dividends, or lack of them, and other influences crept in and made these shares less the respective subjects for discussion.

Then there is the question of the individuals behind these three properties. The largest interests in the Street are represented on one or more of the directorates of the stocks in question. There is a community of interest stock marketwise, and no important group of operators would undertake a very important operation without assurance that they would not be opposed by the others. The broad market for these stocks makes it possible to swing lines of 50,000 to 200,000 shares and turn around frequently without attracting undue attention. This would be out of the question in the majority of stocks.

In the accompanying graphic the dotted lines show the course of fifty stocks over the three-year period. Vertical lines indicate the average high and low of the three leading stocks—Reading, Union Pacific and Steel—for the respective months. This graphic demonstrates:

1. That those who trade in these three stocks are certain to participate in every important market movement. This is not always true of secondary leaders and inactive stocks. Very often an important market swing is recorded with little or no movement in certain comparatively inactive issues.

2. Swings in these three leading stocks are larger than any other similar group and much larger than the average swings of fifty stocks. Therefore the chances for profit are greater because these stocks move more points than others. Remember, the measure of profits is the number of points gained.

3. The principal movements of the market are generally inaugurated in these three stocks. No movement can last without their leadership or co-operation. Therefore in Reading, Union and Steel you get action first—generally before other securities have awakened to changed conditions.

4. There is always a broad market and usually a close market for these stocks. That is, one in which you can generally buy or sell within a very small fraction of the last sale. This is a very important consideration, in proof of which we have only to compare with the market for inactive stocks—often a half or one point away from the last transaction. These differences must be multiplied by two to represent the buying and selling transactions. Hence, a fraction of one-quarter or one-half means a total handicap of one-half to one point in the final result.

For the above reasons Reading, Union Pacific and Steel are the most satisfactory stocks for regular trading by those who follow the principal market moves in an endeavor to derive a profit from the fluctuations.

How a Prominent Financier Traded in the 1907 Panic

The financier is one of the Street's big men—a director in many corporations; intimate with leading banking interests; in a position to know what other insiders know. Yet he could not put his finger on the exact point in the 1907 decline and say, "This is the time to buy."

Surprising to those who think insiders know in advance just what will happen and when. Yet it's true.

He could not spot the exact bottom, but he kept trying for it. His method was to buy when he *thought* it was bottom, and when the market smashed on down three or four points more, he would sell out at a loss and wait for what he thought was the next turning point. Several times he did this, taking a loss in each instance except the last, when he finally got in right for the long upswing that followed.

Small operators (in a comparative sense) may derive much benefit from this incident in the big man's Wall Street career. Like some of his wealthy friends he might have held his first purchase and bought more lower down. Some of those who did this lost a good part of their fortune in that year. But he didn't care to average; he preferred to use what amounted to a stop order three or four points under his purchase price.

In the end he got back all his small losses (they would have meant a fortune to most people) and a big profit besides.

Practical Points on Stock Trading

A Few Observations Based on Long Experience

By SCRIBNER BROWNE

V—Absorption of Stocks by Investors

THE most important question in connection with the so-called "technical condition" of the stock market must always be, Who has the stocks? Every owner of stocks would sell at some time or under some conditions, but the time and circumstances necessary to induce the sales vary greatly with different classes of holders.

If a large quantity of stocks is in the hands of those who would become discouraged and sell out on a pronounced decline, or on the appearance of bearish news, we have one kind of technical condition; while if nearly all the stocks are held by the class of investors who would merely seize upon a further decline as an opportunity to buy more stocks at low prices, we have manifestly a very different technical condition.

The immediate effect and final result of a short interest must also depend chiefly on the character of the long interest. A weak long interest, widely scattered and of a speculative character, may be put to flight by the onslaughts of the bears so that shorts can successfully cover their lines at lower prices. But if holders, instead of selling on declines forced by short sales, proceed to add to their holdings, then the shorts must inevitably cover at higher prices.

Holders of stocks nearly always have more patience and more courage than short-sellers. This is partly due to the fact that the owner of stocks gets the dividends while the short-seller, if he remains short continuously, has to pay the dividends; but still more due, probably, to that quirk of human psychology which leads the average trader to feel safe on the long side no matter how much the price may go against him, but to feel worried on the short side as soon as the price begins to go against him at all.

THE question whether holders of stocks are more inclined to add to their lines on declines or to sacrifice some of their previous holdings is, like all others connected with technical conditions, apt to be a complicated one.

In a general way we can get some idea of the situation in this regard by noting whether transactions increase or decrease on the declines. Short sales may, it is true, produce a moderate and temporary increase in business on declines, but any important or persistent increase may always safely be set down as evidencing sales by actual owners of the certificates.

In order to do more business at lower prices, traders and speculators must very soon get hold of more stocks which may be bought and sold. If instead of finding more stocks in the floating supply after a decline they find fewer stocks, transactions will quickly shrink and a trapped short interest will soon have to buy back its sales at higher prices than where they were put out.

The news, of course, nearly always has some effect in increasing transactions on advances or declines. To take a recent instance, the beginning of hostilities between the United States and Mexico had the effect of causing sales of stocks at lower prices which undoubtedly would not have occurred if peaceful conditions had continued.

What the trader has to do in such circumstances is to compare the quantity of the sales with the importance of the bear news. If a relatively unimportant bearish item (or in some cases no bear news at all) results in increased transactions at lower prices, he concludes that the market is in a weakened condition.

On the other hand, if important or sensational bear news, of a character to attract general public attention, causes only a moderately active mar-

ket on the decline, he concludes that the market is not in any especially vulnerable condition, but that the largest holders are content to keep their stocks and await the outcome with patience and fortitude.

I say very little about the public short interest which is created by bearish news developments. This always amounts to something, of course, but it is in comparatively small lots and is rarely big enough to form a factor worth entering into the calculations of the trader. It is an axiom that the public will not sell short. Such outside short interest as exists is nearly all of a semi-professional character. When we talk about public interest in the market we always mean a public long interest, because the public short interest is negligible.

* * *

IT is safe to say that there is always some absorption of good stocks for investment on any decline in prices which runs to five points or more. Against this absorption must be offset whatever liquidation of long stocks may occur, and the temporary effect of short sales. I say "temporary effect" because, of course, every short sale has to be bought back again some time, either lower or higher.

When no unexpected news developments occur it is not especially difficult for the trader who watches the market closely and keeps suitable records to give him the main facts about prices and volumes from day to day, to determine whether investors are gradually accumulating stocks or are slowly liquidating their holdings. I don't think this can be told from day to day, unless by tape reading, but it can usually be observed from week to week.

For example, suppose prices decline rapidly on a big volume of trade for perhaps two weeks, with relatively wide fluctuations in the leading speculative stocks from day to day. Then from near bottom prices we have a sharp rally for several days, caused by covering of shorts. After that the market grows dull and drifts slowly downward for two or three weeks, with transactions much smaller than on the previous decline and with a narrower range of daily fluctuations. This is a plain case, and it generally occurs in substantially the way above outlined several times in every year. It shows three steps, which always occur when the market strikes bottom and turns upward:

(1) Liquidation by investors and traders who have become discouraged, either by the unfavorable outworking of the whole situation or by specific bear news.

(2) Partial cessation of such liquidation, quickly followed by covering of shorts which had been put out during the decline, causing a rally.

(3) A period of rest, accompanied by a small amount of left-over liquidation and by scalping short sales, the latter practically all by professionals and semi-professionals.

After this process the market is ready to respond to favorable news when it comes, and will decline but little on further bear news, unless it is of a very sensational character.

* * *

WHAT has really occurred is that the floating supply of stocks, which had been increased by liquidation, has little by little been "bailed out." Some investors were buying on a scale during the first decline. Others bought when they thought the market had turned. Still others were busy picking up stocks during the third period above described, so that every evidence of temporary weakness resulted in scattering buying orders.

We have to reckon, however, with the possibility of unexpected news, either bullish or bearish, at any period of the above process. I am not one of those who believe that all the news is cut and dried beforehand and fed to the public as needed. There are plenty of big speculators who would willingly follow such a method if it were possible, and doubtless there are some stocks on which that plan is frequently followed; but in regard to the broad sweep of events, politics, wars and money markets, at home and abroad, it simply can't be done. And these are the events that in the end

have the greatest influence on the general movements of the market.

This, then, is where the trader has to exercise a real insight into the nature of the technical position. Without disturbing developments, successful trading at such times would be "too easy." When important news comes along the trader has to figure on the combination between the natural effect of the news and the influence exercised by technical conditions.

To the tyro, bear news accompanied by a decline in prices looks wholly and unquestionably bearish. But the same combination may look very bullish to the more experienced operator. The bear news may have caused a decline without liquidation, or it may have induced some liquidation but nothing at all in proportion to the importance of the news.

On the same principle, prices may go up without apparent reason. The inexperienced would perhaps lay this to manipulation, and would say that since there was no good reason for the advance it would not prove permanent. But viewed in the light of the technical situation, the advance may be due to an effort to cover short stocks in a sold-out market, and would thus have a strongly bullish aspect.

* * *

A SITUATION which often proves puzzling, even to the elect, is when the market runs into a long dull period at a sort of intermediate plane of prices, neither high nor low. Commentators usually say, in such circumstances, that the market is waiting for a new impulse. That is true enough—and I suppose a market is conceivable which would have practically no "technical condition"; that is, it would simply be in a state of balance. But that state of affairs, if possible, is so rare that it is hardly worth figuring on. As a general proposition, there is always a technical position. In any such period of apparent balance, the market has in itself the seeds of a movement in one direction or the other.

About all that I can say about these intermediate periods of dullness is that when they appear after a period of activity at declining prices, the chances favor an upward movement next; and vice versa, when the dullness comes after an active advance, the chances favor a decline. But the factors entering into the situation are usually too complicated to be entirely disposed of in any such offhand way as this. After he has had enough experience the trader can acquire sufficient skill in diagnosing such a situation so that he will not be very badly wrong, or will be right oftener than he is wrong.

The important thing in all such discussions as this is the emphasizing of the broad general principle. If the trader understands the principles on which an analysis of the technical situation must be based, he can then watch the market to some purpose and with a good prospect of gaining by experience. Without the principles, he is pretty much at sea and his experience profits him little.

In recent markets, this matter of the absorption of stocks by investors on declines has been about the most important part of the technical situation. We have had no big speculative markets, with the public coming in at the top in the old-fashioned way. We have moderate advances, followed by slow, realizing as one holder after another comes to the conclusion that the advance has temporarily run its course. Then we have declines, during which investors gradually—very, very gradually, in recent markets—pick up such stocks as they have a particular fancy for. Finally prices refuse to go any lower, and we have another long period of dullness. Then the process begins over again.

We shall have something different by-and-by, of course. For nearly five years stock market speculation has been slowly shriveling up. It isn't going to disappear, because it is necessary to human society. The wave of expansion is bound to come and the turn of the tide may not be so far away as some of us now imagine.

(*To be continued.*)

The Value of Brokers' Opinions

A Record of Their Correctness During a Period of Six Months

By J. HOWARD GIBBS

THE attitude of customers toward their brokers varies just as men vary in their other characteristics. One man depends largely on what his broker thinks of the market. When he calls up on the telephone he says:

"How do they look to you this morning?"

"They look cheap," replies the broker.

"Is it time to buy something?"

"I would suggest that you buy a little Chain Lightning preferred, and buy a little more if it goes lower."

"All right—buy a hundred for a starter."

Another trader looks at things very differently. He has no respect at all for brokers' opinions—thinks they are always bulls at the top and bears at the bottom. When he picks up a paper and reads a list of quotations from brokers' market letters he is likely to say:

"Humph! All bullish. Guess it must be about time to sell out."

With a view to finding which of these two traders is right in his idea, or whether they are both wrong, or in any case what the exact fact of the matter is, I recently had kept for me a close record of the opinions of a score of leading active houses for a period of six months.

In many cases the market letters were non-committal, or confined themselves to general discussions without expressing any direct opinion on the market. In other cases the broker recommended taking a "trading position"—which usually means buying on small declines and selling on small advances.

Again, a strong bullish or bearish opinion would be expressed; and in still other instances the broker would be bullish, but expecting a moderate reaction before much further advance, or bearish for the long pull but anticipating a temporary rally.

Having the full list of opinions for six months in hand, I then proceeded to make up a table showing the record of each house week by week. This table is reproduced herewith. The different houses are designated by letters of the alphabet. Where a space is left blank, the meaning is that the ordinary reader would have difficulty in deciding from the broker's letter that week whether to buy or to sell. The letter might not be absolutely non-committal, but was so lacking in definiteness that I did not feel warranted in setting down the broker's opinion as either bullish or bearish. The abbreviations used are explained at the head of the table.

The movements of the market during this six months period are shown on the accompanying diagram, and I have added two other lines showing graphically the number of brokers bullish and the number bearish week by week.

Taking first the general result, as shown by the diagram, it is plain that the majority of brokers were right on the main trend of the market considerably more than half the time. (For the purposes of the diagram I have counted a "Reaction" as bearish and a "Rally" as bullish.)

This is especially notable during the period of dull markets lasting from the middle of October to the middle of December. During the decline of the week ending October 11, only two brokers out of the twenty could be recorded as bullish. In the ensuing period of dullness and narrow fluctuations one after another flopped to the bull side until just before prices started upward none were bearish and fifteen were bullish—certainly an excellent record.

Another point is noticeable—that immediately after the culmination of the two small bull movements shown on the diagram, there was a sudden drop in the number of brokers expressing bullish

opinions. Only a few of them actually turned bearish—in fact, at no time were more than nine out of the twenty recorded as definitely committed to the bear side—but they stopped bulling the market.

There may have been several reasons for the preponderance of bullish opinions shown on the graphic. One was, doubtless, that many brokers make it a policy never to advise short sales. They advise purchases, and they advise taking profits, but not selling short, because of the unpopularity of short selling.

Another probably was that during most of this period the money market was easy, so that few brokers would care to espouse the bear side in the face of this very important bullish factor.

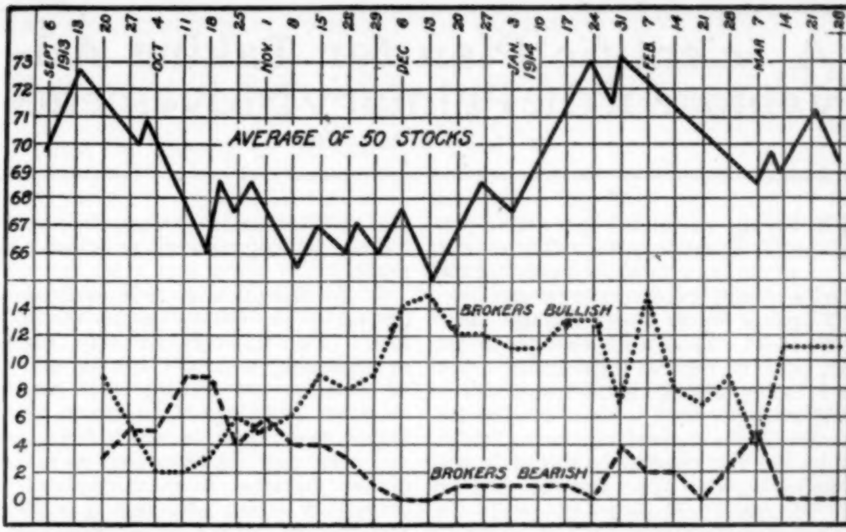
Turning now to the table showing the record of each broker in detail, we find that a number of interesting points are brought out. There were eight brokers out of the twenty, designated as Brokers A, B, C, D, F, G, K and L, who never at any time assumed a bearish position. The most they were ever willing to concede was a "Reaction" or the adivisability of taking a "Trading" position.

One, Broker L, bulled the market right through thick and thin for the entire six months, with the exception of two weeks

SUMMARY OF TWENTY BROKERS' OPINIONS FOR SIX MONTHS.

(Key: Bl, Bullish. Br, Bearish. Rn, Expects reaction in bull market. Rl, Expects rally in bear market. T, Favors trading position.)

1913.	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S	T
Sept. 20...	Rn	Bl		Bl		Bl	Bl	Bl	Br	Bl	Bl	Bl	Bl	Br	T					
" 27...	Bl	Bl	T					Br	Br	Bl		Bl		Br	Br		Rn	Bl		
Oct. 4.....	Bl							Br	Br			Bl	T	Br	Br				Br	
" 11....	T	T		Bl				Br	Br	Br		Bl		Br	Br		Rn	Br	Br	Br
" 18....	T				Br	T		Br		Br	Bl	Bl	Br	Br	T	Br	Br	Br	Bl	Br
" 25....	T	Bl		Bl	T	T		Br		Bl	T	Bl		Rl	T	Br	Br	Br	Bl	
Nov. 1.....	Bl	T	T	Bl	Bl		Bl		Br			Bl	T	Br		Br	Br	Br		Br
" 8.....				Bl	T	T	T	Br		Bl	T	Bl		Br	Bl	Rl	Br	Br	Bl	
" 15....	Bl	Bl	Bl	Bl	T	Bl	T	Br	Bl	T		Bl	Bl	Br	Bl		Br		T	Br
" 22....	Bl		Bl	Bl	T	Bl		Br				Bl	Bl	Br	Bl		Br	Bl		
" 29....	Bl	Bl	Rn	Bl	T				Bl			Bl	T	Rl	Bl	Rl	Bl			
Dec. 6.....		Bl	Bl	Bl		Bl		Bl	Bl	Bl		Bl		Bl	Bl	Bl	Bl	Bl	Bl	
" 13....	Bl	Bl		Bl	Bl	Bl		Bl	Bl	Bl		Bl		Bl	Bl	Bl	Bl	Bl		Rl
" 20....		Bl	Bl	Bl	Bl			Bl	Bl	T	T	Bl		Bl	Bl	Bl	Rn		Bl	Rl
" 27....	Bl			Bl				Bl	Rn	Bl	Bl	Bl		Bl	Bl	Bl	Bl	Bl		Rl
1914.																				
Jan. 3.....		Bl			Bl	Bl		Bl	Rn		Bl	Bl			Bl	Bl	Bl	Bl		Rl
" 10....		Bl			Bl		Bl	Bl			Bl	Bl		Rn	Bl	Bl	Bl	Bl	Bl	
" 17....	Bl		T	Bl	Bl	Bl	Bl	Bl	Bl		Bl	Bl		Bl	Bl	Bl	Rn	Bl		
" 24....	Bl			Bl	Bl	Bl		Bl			Bl	Bl		Bl	Bl	Bl	Bl	Bl	Bl	
" 31....				Bl	Bl			Bl	Rn	Bl	T	Bl		Rn		Bl	Bl	Rn	Rn	
Feb. 7.....	Bl	Bl	Bl	Bl		Bl	Bl	Bl		Bl	Bl	Bl	Bl	Rn	Bl	Bl	Bl	Bl		Rn
" 14....				Bl		Bl		Bl			Rn	Bl		Rn	Bl	Bl	Bl	Bl		
" 21....			Bl	Bl		Bl		Bl	Bl						Bl		Bl			
" 28....	Bl		Bl			Bl	Bl	Bl	Bl		Rn	Bl		Rn		Bl	Bl			
Mar. 7.....							Bl	Bl	Rn			Bl		Rn	Rn	Rn	Bl	Rn		
" 14....	Bl	Bl	T	T		Bl	Bl	Bl	Bl		Bl	Bl		Bl		Bl	Bl	T	[illegible]	
" 21....			Bl	Bl		Bl	Bl	Bl	Bl		Bl		Bl	Bl		Bl	Bl		[illegible]	
" 28....				Bl	Bl	Bl	Bl	Bl	Bl			Bl		Bl	Bl		Bl	Bl	[illegible]	



when he did not express himself definitely on either side. Broker D was a close rival in optimism. In such cases one is perhaps warranted in assuming that it is the policy of the house to take a cheerful view of the market whenever possible. Such a market letter cannot possibly be as useful to customers as one which always hews to the line of perfect frankness and sincerity, letting the chips fall where they may.

The attitude of Broker T needs a word of explanation. He thinks the situation is bearish from the general investment standpoint, but early in December he predicted a rally lasting into early January, after which he became rather non-committal as to the immediate prospects of the market.

There is, of course, an important difference in the character of these market letters, in that some of them are aimed entirely at the long-range investment situation, without any attempt to predict the immediate movements of the market; while others are apparently intended to help the more active class of traders. For this reason we should not be too ready to find fault with Brokers L and D for their uninterrupted bullishness. From the investment point of view they may easily turn out to have been right throughout the entire period.

The investigation seems to me to show very plainly that the views of the responsible brokerage houses are well worth considering, but that it would be unwise to pin one's faith blindly to the advices of any one firm. Unquestionably there are times when the sentiment of the Street has much to do with the making of prices, and with this sentiment the best brokers are closely in touch. At other times the market may be upset by unexpected events, or when some condition which has been widely discussed turns out in a way entirely different from what had been generally anticipated. In the first case brokers' opinions would be of value. In the second, probably no one's opinion would be of value.

In a word, brokers' opinions, as reflecting the sentiment of Wall Street, are one of the elements (among many) which the experienced investor or trader may well take into consideration.

A Scientific Plan for Taking Advantage of the Primary Movements

By H. M. P. ECKARDT

IN buying stocks for speculative purposes, the trader who aims to extract a profit from the short swings of the market usually endeavors to protect himself against heavy losses through stop-loss orders. Thus when he buys in the first place he regards his stop-loss order as a means of keeping his loss within a comparatively small amount in case the market moves against him immediately. If he did not operate in this way, the chances are that from time to time or on successive occasions he would be locked in by a heavy drop in prices.

In numerous instances of this kind it devolves that the trader's capital is so to speak "dead" for quite a considerable time. The paper loss may reach such figures that he is totally unwilling to accept it. And if he has no more capital available, his account becomes stale and his brokers perhaps begin to think of closing it out inasmuch as they too have part of their capital in a position where it is yielding no commissions. If it happen that the rate of interest paid by the trader to the brokers is higher than the rate of net return represented by the dividend on the stock that is being carried, the trader's position may get worse from month to month, irrespective of market movements. A stop-loss order is a protection against such a development as that outlined; it enables the trader and his brokers to keep their capital in liquid form.

However, the stop-loss does on some occasions result in making the trader's profits disappointingly small; and there is one important class of speculators whose business is of such a nature as not to require it. This class makes little or no attempt to get in and out on the short swings. They will, to be sure, often take advantage of a sharp drop to buy some stock they have been watching; but it often happens that they have such strong confidence in the results it will give them that they cannot bring themselves to sell it when yielding a mere 5 or 10 per cent. profit.

In the first place, as mentioned above, the trader or investor scorns the stop-loss. The stop-loss he may regard as something that will involve him in small losses and perhaps force him on occasions to re-buy his stocks at prices higher than those at which they have just been sold. In order that operations of the character now contemplated be carried on to best advantage it is advisable that the trader or investor undertaking them be a man who is steadily accumulating capital. His operations, of course, would be extensive or the reverse according as his yearly or monthly accumulations were large or small.

By a process of repeated elimination he finally settles on two or three stocks that he would be willing to buy and hold. He does not intend to use the stop-loss. This confines him to the stock companies which have been improving their position from year to year—in other words, to stocks the intrinsic value of which is increasing steadily.

He blue pencils or eliminates the stocks of companies which do not give full and satisfactory information as to earnings and as to assets and liabilities. No matter what dividends they are paying, he passes them by. And he eliminates the securities of companies in the control of parties or individuals in whom he has no confidence. His search is for a company managed and directed by men of high moral standing, which makes full statements of its affairs, earns much more than it pays in dividends, makes liberal allowances for depreciation or betterments, deals in a staple commodity or article in constant demand, has good management and good prospects for continued prosperity, and which is not too much of a target for government or popular attacks.

He will finally settle on two or three stocks which he would be willing to buy. Next he wants to know when to buy and how much. In deciding on the time to buy he is guided to a certain extent by the net return. As a rule he wishes to have the stock yield a greater rate than that charged against him by the brokers —so that there is a profit in carrying. He confines his dealings altogether to brokers who are financially strong, making inquiries through his bankers as to the brokers' position before opening the account. The ideal time to commence is after a severe and perhaps long continued decline in the course of which stocks in general have fallen 30 to 50 per cent. He buys on a break and does not expend all his buying power at once, as it is quite likely that the decline will continue after he gets in. The trader does not propose to do business on a 10 point margin. He may want the brokers to carry the stock right along and he does not wish to ask them to put any of their capital in the deal; besides, his regular business or occupation is going to engage his attention pretty fully each day, so that he will not wish to be bothered about margins, etc. Say he has $10,000 capital of which $5,000 were in cash. He wishes to keep at least $1,000 in reserve at his bankers available for emergency. That leaves $4,000 available for his stock transactions. With that amount he calculates that he could safely buy $12,000 worth of stocks. That would make his debt to brokers $8,000 with a margin of $4,000 or 50 per cent. To some minds this might appear an ultra-conservative arrangement; but it serves his purposes best and he calculates that supplementing his regular accumulations it may enable him to build his capital account quickly and safely.

It is an essential part of his plan to strictly limit his holding of any one stock. While the grand total of his investment is $12,000 he will consider that $3,000 is the very utmost he can put into any one security or into any one company—that would permit the holding of 25 shares of a security averaging 120. Until the total of his investments exceeds, say, $20,000, he will adhere to this limit of $3,000. After that point was passed he might limit the holding of any one security to one-seventh or one-eighth of the total investment, gradually decreasing the proportionate limit as the investment total rose.

Subsequent to his initial purchase, the net yield being right, he buys more on scale down at intervals of 5 or 10 points until he has secured the amount above referred to—$12,000.

So long as the market stayed down he would enlarge his list of stocks as fresh capital accumulated, at the same time enlarging his reserve fund or ready cash at the bank. When the upward swing got under way he would perhaps cease purchasing—he would be disposed to stop at any rate when 10 points or more from the bottom had been traversed. Then his accumulations of new capital would be applied steadily to reduce the brokers' account. So far as selling was concerned much would depend on the character of the rise. If it were slow and creeping he would not be disposed to sell, as the chances of a set back or reverse would not be so great. If, on the other hand, the rise were rapid he would be disposed to let his various lots go as the opportunities to realize the profits he had decided would be satisfactory presented themselves. For instance, he might take an individual purchase and when the price had risen to such an extent as to give him a clear profit of three years' interest on the amount invested (at the rate charged by the brokers) sell it out. His money would thus have earned its keep for three years in advance at any rate; and the chances are that the opportunity to use it again would occur long before the three years were over.

If after selling out, the opportunity occurred of subsequently buying back at 8 or 10 points decline a part of the holding he had disposed of, it would be seized—unless, of course, the general market outlook or the outlook for this particular stock did not appear to make such repurchase desirable. It would, perhaps, be the case, as suggested above, that the prospects for one or more of the stocks in his assortment were so favorable as to make it inadvisable to sell even when the profits represented three or four years' interest. There might be practical assurance that the company in question

would shortly increase its regular dividend or make a special distribution to stockholders. As the stock would be bought in the first place at a price to yield satisfactory returns, subsequent increase of dividends would probably make the net yield very attractive indeed.

In case of some of the stocks the opportunity might occur of taking up a proportionate amount of new issues at prices giving good returns. This could be availed of if the party had the capital awaiting investment and if his holding of this particular stock were not unduly large. Under this plan it will be seen that as the market quotations rose the holding of stocks would be gradually liquidated, more or less automatically, until there were left only two or three stocks regarded as especially desirable. The funds released could be put temporarily into short date notes of high class or non-fluctuating bonds or debentures, pending the return of another cycle of low prices.

So far as bookkeeping is concerned the speculator would, of course, have an account in his ledger for each stock or bond purchased. If deemed advisable he could credit say one-tenth of each dividend or coupon payment received, to an investment reserve account designed to cover possible losses, and continue that policy until the reserve reached 10 or 12½ per cent. of his investment total. It would be conservative practice to credit bonuses and proceeds of sale of "rights" to the principal of the investment, thus reducing the book value of the securities immediately affected.

When the rise culminated and was followed by a decline of 20 or 25 per cent., our speculator would again begin to "take notice" of the stock markets. Perhaps he would have taken back one or two of his favorites, in part, during the earlier stages of the decline, but if he adhered to the policy of buying in comparatively small lots he would not be badly loaded up and he could afford to hold these items considering that the sale, and subsequent repurchase at 10 points or so decline, represented so much knocked off the original purchase price of the same security. Thus the operation could perhaps be repeated —the cycle taking perhaps three or four years to complete. It is quite within the possibilities that at the end of the term of say four years the profits would represent fully 100 per cent. of the actual capital put into the speculations by the speculator—in other words that he would average 25 per cent. per annum on the cash capital employed. It is practically certain that his interest account would be gradually developed in a very satisfactory manner—which must be taken as an important consideration.

In closing the article it is advisable again to lay great stress on a few of the essential points. The matter of the financial strength of the brokers employed is of first importance. If the trader cannot satisfy himself absolutely as to this it will perhaps be better to endeavor to work through his bank—the bank ought to be willing to lend on the stocks considering that the margin would be from 40 to 50 per cent. continuously. In that case the brokers would merely get their commissions and would deliver the stock to the bank whenever a purchase was made.

Great care and discrimination is also required in selecting the stocks for purchase. It would not do at all to pay any attention to market rumors. The stocks bought must be those of sound concerns earning much in excess of dividends and able to continue making good showings through a period of depression; and they must be bought at prices on such a level as to permit their being carried without cutting into the interest income of the holder.

Finally it is necessary for the speculator to take satisfactory profits when they offer themselves. I have mentioned three years' interest on the investment. That might be varied—increased or decreased according to the temperament of the speculator. Three years' interest would represent quite a moderate profit in some cases. Thus, suppose 40 shares of a stock were bought at an average of 75. That makes an investment of $3,000. Three years' interest on $3,000 at 6 per cent. would be $540. That would represent over 50 per cent. profit on the capital put in by a speculator trading on the 50 per cent. margin basis. A 15 point rise —to 90—would accomplish it. In the same way a rise of 19 points—to 94— would give four years' interest, or 72 per cent. profit on the capital put in.

COTTON DEPARTMENT

Investment in Cotton

Getting Large Profits with Little Risk and Patience

Last month this idea was outlined. It is here explained more fully.—Editor

THE reason cotton is considered the most speculative of all the commodities can be laid to several fundamental conditions connected with its supply and distribution. In the first place, cotton is a semi-tropical plant and is grown in this zone. In the case of American and East Indian cotton, the largest crops, only a small percentage is consumed near the fields, the greater part being sent to temperate climates for manufacture. From the day the raw material is ready for market until it is placed in the manufacturers' hands, a period of time, computed at about six months, elapses. During this transfer many dealers, traders and merchants handle the bale, each assuming a risk in doing so. The distribution and the shifting of this risk is borne by the "futures" markets, which play so important and necessary a part in the marketing of the crop. Cotton passes from farmer to factor, to dealer, to broker or merchant, and through an infinite number of speculators during its progress to the consumer. Each one shares in the risk attending such an enterprise, and the shifting of this risk or the acceptance of same is attended by frequent and sometimes excessive fluctuations in prices. If a farmer considers the price he can obtain for his crop for October delivery remunerative, he will sell October delivery in the "futures" markets or enter into a contract with a merchant to deliver in October the actual cotton at a certain price. In such a case the merchant buys from the farmer and sells "futures" to protect his risk. In like manner the speculator attemps to anticipate the supply and demand of cotton in the immediate or distant future, and buys or sells accordingly. The spinners make contracts in the same manner. The distribution and shifting of the risk while cotton goes from producer to consumer is therefore the most important function of the "futures" market. And in nearly all cases where losses are borne, they are endured by those most able to afford it, otherwise failures and disasters would be much more frequent. It is impossible to engage in a cotton transaction without incurring a risk. It would be absurd, however, to characterize all transactions in cotton as wildly speculative. It is the business of every dealer and merchant to minimize his risk by "hedging" and protecting his contracts or his stock in hand, just as it is the wise course for a speculator to buy when he thinks he is incurring a minimum risk and sell under similar conditions.

The investor takes a different point of view to either the merchant or the speculator or the spinner. He has to determine the investment price, or the time when an investment should be made, and when once the deal is consummated he has to exercise patience and be content to wait for his return. One may safely say that when the price of cotton declines to a figure approximating the cost of production, an investment basis is reached. In these circumstances investors the world over have bought and paid for actual cotton and warehoused it until such a time as they could realize a profit and a return for their outlay. Others have bought "futures" for distant delivery, preferring to run the risk of

fluctuations in prices and the meeting of margins which such variations will entail, to the expenditure of actual cash at the time of purchase.

In our last issue it was demonstrated how a profitable investment could have been made in cotton, if only the investor had had patience to work and wait for the results. In the fall of 1908 cotton had declined to a low price (around 9c. per pound). It was presumed an investor bought cotton then and carried on the operation from season to season, transferring his purchase when the time of delivery came to the distant deliveries in each instance. The various steps can be shown as follows:

In fall of 1908, bought 1,000 bales Mch.-Apr. Liverpool @ 4.50d. In spring of 1909, sold 1,000 bales @ 4.50d.

In spring of 1909, bought 1,000 bales Mch.-Apr. Liverpool @ 4.45d. In spring of 1910, sold 1,000 bales @ 7.95d.

In spring of 1910, bought 1,000 bales Mch.-Apr. Liverpool @ 6.49d. In spring of 1911, sold 1,000 bales @ 7.54d.

In spring of 1911, bought 1,000 bales Mch.-Apr. Liverpool @ 6.67d. In spring of 1912, sold 1,000 bales @ 6.45d.

In spring if 1912, bought 1,000 bales Mch.-Apr. Liverpool @ 5.99d. In spring of 1913, sold 1,000 bales @ 6.60d.

In spring of 1913, bought 1,000 bales Mch.-Apr. Liverpool @ 5.97d.

It will be noticed that each purchase against the sale could have been made at a discount and last year he was long 1,000 bales March-April, 1914, delivery in the Liverpool market at 5.97d. per pound and in pocket the various profits made on the exchange from one position to the other. Last spring the transfer could have been made at 73 points, and the whole transaction would have netted approximately $49,000. With such a sum in hand—more than the original first cost in 1908—the investor could afford to wait for a good rise in prices and realize ultimately $80,000.

It was pointed out that the important consideration for such a deal was the protection of the purchases against intervening declines, which often occur, and that at times a sum much in excess of the original $2,000 margin might have to be deposited.

Transactions such as the above are by no means uncommon, especially in Liverpool and on the Continent, where spinners sometimes make contracts with merchants for delivery month by month covering a period of several years in advance. Large contracts were made in the last big crop year of this nature, and many students of the economics of cotton attribute the premiums on the near positions to this cause. They maintain that a large premium on the current or near delivery is simply a reflection of the immediate or urgent demand for actual cotton to fulfill contracts made many months before. This appears to be a sound argument, for an urgent enquiry for "spot" cotton in the South will often send "spots" above "futures," and by preventing the flow of cotton to the "futures" markets force a premium on the immediate delivery.

Reverting to the cost of production, at which price cotton is a safe investment, it must be borne in mind that a considerable increase has occurred in recent years. In December last the manager of the Taft ranch in Texas gave detailed expenses connected with the raising of cotton, indicating a cost of 10 cents per pound. When to this must be added cost of transportation to the primary markets or ports, 75 pounts would not be excessive, which would bring the cost of production today dangerously near the eleven cent limit. Unless, therefore, the crop this next season promises an over-abundance it is unwise to argue for a decline below this figure, for at anything like an investment basis spinners may be expected to make contracts for distant delivery, as they have done in the past few years.

The Cotton Market

Outside Interest Is Developing

AFTER a long period, when the absence of speculation and very narrow fluctuations were the principal features, the cotton market shows signs of increased activity. Although trading is largely professional and semi-professional, the public are watching events carefully, preparing to take a position on any important move. This change has come about with the planting of the new crop and the unfavorable weather news the first two weeks of May. The whole crop is now in the ground and coming up, but the season is backward and fully 50 per cent. is two to three weeks late. In the section west of the Mississippi River the weather has been too cold and wet, retarding the growth of the young plant and delaying farming operations. On the other hand, the Eastern Belt has suffered from too much dry weather, and rain is badly needed. In any one year such conditions would cause uneasiness, but this season the market is particularly sensitive, owing to the widespread conviction that there is an absolute necessity for a large crop next season to fill the enormous consumptive requirements. It was maintained throughout the winter and early spring that the new tariff and the trouble with Mexico would restrict consumption. Such, however, has not been the case. The last census report indicated a consupmaion in the United States for the month of April last of 500,000 bales, a record for this period. The total figures, from September 1, 1913, to April 30, 1914, were 3,836,000 bales, against 3,666,000 bales last year, also a record. An increase in America alone of 170,000 bales was never anticipated, and this announcement, in conjunction with the continued bad weather news, forced an advance to 13 cents for May delivery, 12.55 cents for July delivery, and 12 cents for the new crop positions October and December deliveries.

The reports from abroad on consumption are also encouraging to the Bulls. Manchester is doing a good business, especially with India. The advance in silver has helped the export trade. The Continent and Japan are consuming at their maximum. A considerable percentage of the stock in Liverpool is said to be untenderable on contract owing to its inferiority, except at a large loss to the seller. That market has therefore developed more strength, and the shorts in July-August delivery are very nervous. All these various factors have attracted the attention of outsiders, who have kept out of the market fearing a trade depression. They now believe, however, that the estimate for consumption this present season of over 14,750,000 bales of American cotton is by no means excessive, and with prospects of a commercial crop of about the same figures, there will be carried over into next season no more than last year, and this of an inferior quality. Under such conditions the spinners of the world are facing a situation serious enough to cause them apprehension all through the summer. With no increase in their stocks, a depleted visible supply, and the new crop an unknown quantity, they may be forced ultimately to curtail consumption or pay much higher prices for their immediate needs. An active cotton market should develop this month and there will be many opportunities of making some good trades.

Attention has already been called to the necessity for a large crop. This point cannot be made too emphatic. It will be the predominating factor this summer and should be kept in mind all the time, for the weather news will be eagerly scanned from day to day. The crop being late, unpropitious weather will cause sudden and rapid advances, but, on the other hand, it will take several weeks of perfect weather to produce

any heavy selling and a consequent decline. The market is in such a sensitive mood that it will be difficult to turn the trade to a belief in a large crop.

Influenced by the unfavorable start, there are already many operators who firmly believe in a small crop next season. In every late spring we have our "crop killers" accompanied by sensationally bad reports of damage. These killers are now getting busy, although a few weeks of fine weather may change the point of view. Other extremists believe that an increased acreage, with intensified cultivation and the free use of fertilizers, will offset any other influences and that the crop will be large anyway. These overlook the fact that cotton is a climatic plant, very sensitive to the weather and to the attacks of the boll weevil, which is not yet exterminated, but actually spreading in the Eastern belt. These widely divergent opinions, nevertheless, make the market active and cause wide fluctuations. Speculation is an attempt to anticipate and forecast the supply and demand of the commodity. All information at hand warrants a belife in a record consumption, but the production for next season is absolutely unknown. The trade are consequently vitally interested in the progress of the crop, although the plant is barely above ground. This interest is bound to increase with the growing season, and the need of warm sunshine in the Western belt and showers in the Eastern belt will furnish incentive to trading.

Cotton Notes

THE first Bureau Report of the Department of Agriculture will be issued at noon on Monday, June 1. It will give the condition of the cotton crop as of May 25. Previous reports were as follows:

1913.	1912.	1911.	1910.	1909.	1908.	1907.	1906.	1905.	1904.
79.1	78.9	87.8	82.	81.1	79.7	70.5	84.6	77.2	83.

The average for the last ten years was 80.4. A condition this year below the average is anticipated.

THE statistical position is improving. The weekly movement into sight is decreasing while spinners' takings continue more than last year. In the middle of May, although 782,000 bales more had come into sight, the visible supply was only 81,000 bales more, while spinners' takings were 377,000 bales over last year. Exports were 339,000 bales more.

All indications point to a strong statistical position by the end of June.

Stocks in manufacturers' hands are also decreasing rapidly. The census report on May 14 showed a total of 2,926,000 bales on April 30, against 2,994,000 bales on the same date last year. Active spindles in the United States were 31,074,000 compared with 30,572,000 last year.

SPINNERS have complained of very unprofitable business and prophesied reduced takings for several months past. These assertions have not been borne out by the figures of consumption published from month to month. To talk poor trade and consume more cotton than ever before does not appear consistent. The urgency of the demand for actual cotton is reflected in the premium on the near positions in the "futures" markets, and many believe this situation will continue into the July position. Any extended advance in prices is bound to reduce profits to spinners, and in such an event there will be more talk of short time. Usually, however, they do not like to take such measures until later in the summer.

THE Government's estimate of acreage planted will not be issued until July 1. In addition to this estimate they will revise the estimate of one year ago. It is expected a considerable addition will be made to this latter figure, which was given as 35,622,000 acres. Private estimates indicate only a moderate increase in acreage this season running from 2 to 3 per cent.

THE FORUM

Where Every One Has His Say

As the Romans gathered at their Forum to discuss questions of common good, we invite our readers to make this department their common meeting ground—to contribute their views on financial topics of general interest and to ask questions relating to the science of investment, methods of operating, customs of the markets, general financial conditions, etc. If you should disagree with us or with our contributors, we will gladly print your criticisms, space permitting. We welcome suggestions. Tell us what articles best fit your needs and then we can serve you to better advantage. Write your comments as you would speak them. The style of your writing will not be considered—only the information you give. Write on one side of the paper only. If you desire a personal reply to questions, please enclose stamped and self-addressed envelope. Address, THE FORUM, care of MAGAZINE OF WALL STREET.

Comments on the April Culmination

When weakness is detected in places that were regarded strong bears have easy pickings. To see Canadian Pacific decline twenty points in a few days is something that stuns the mind of the average man. When the mind is at sea the heart can have no courage. Clear mind, confidence; confidence, courage, that is the formula.

Insiders know human nature, particularly its weakness, hence the excessive price movement, as related to volume of sales, of the past two weeks. War news helped some, but stocks have gone up on war news. Money is cheap but tight—holders are stingy, otherwise the drive against values would have been less successful.

Cheap lending rates show that money is plentiful, also that much money is idle. Money is most suspicious, but at the same time most restless. It will never rush in where angels fear to tread until it has missed a couple of quarterly interest checks. Then it becomes a bold adventurer, going as far in its boldness as to buy a few shares of some tried and true "six per cent. return" railroad security. But anything for a beginning. You never can tell when you start where you will end up. And thus out of utter depression come aggressive bull moves.

To get back to earth again, today's market justified the opinion that the end of liquidation was at hand. If anybody bought Canadian Pacific, Smelters and Copper it is to be hoped that they took their two or three point losses like gentlemen. To take a loss is logical; to "hang on" is to prove oneself an ass. Let the mules bray in unison!—T. L. S.

April 25, 1914.

New Haven's Position.

To the Editor: Referring to your article on New Haven in the May issue, two points should be taken into consideration by anyone who is considering the purchase of the stock. First, whether the stock is to be bought with the idea of taking a quick profit or whether it is to be purchased and held for investment.

The market condition of the stock, at the present time, indicates that it has been pretty thoroughly liquidated. It has apparently gone into the hands of strong holders, and any resumption in the upward movement of the stock market would probably bring about an

advance in New Haven stock of several points in a short period of time. The situation is different, however, if one buys with the idea of holding it for future dividends. It will be seen from the report that the earning power of the company has suffered very seriously and that it will be several years before there can be any thought of a dividend resumption. Even then it is doubtful if the company will be able to return to the 8 per cent. rate. Assuming that it will be five years before any dividend will be paid, and compounding the loss of interest during the period at 6 per cent., which is a perfectly fair rate under the present return on good stocks, the actual cost of a share of New Haven at the end of five years, if bought at 69, will be 93. The stock paying 4 per cent., and selling at 93, would then return 4.3 per cent., which would hardly make the investment worth while.

"There Is Hope."

Editor MAGAZINE OF WALL STREET:

I have a friend who has turned "bear" for the long pull. I have tried to "get into" his trend of thought leading up to his decision, but have been so far unsuccessful. Disregarding volume considerations I could well do so, but my study of volume action in conjunction with its relationship to news factors leaves me inclined to the bull side, that is, to buy on reactions for the next long movement.

As an added factor to aid my reasoning thuswise I have the fact that other aggregate charts have not as yet broken the June nor November lows. Fifty stocks have not done so, nor have the five actives. The latter stopped well up from June levels and a full point above November 10. But I must admit that "Ten rails" have given conclusive evidence of the presence in the market of an aggressive tendency towards new low levels. Tendency in any one group is quite worthy of consideration and especially so in the instance cited because "Ten rails" have weighty influence over the market as a whole. I do not lose sight of that. At the same time I must place more confidence in volume study.

Every long decline in price of stocks drives out investment holders to some extent and marginal traders in great numbers. It would appear that the decline that culminated last June dislodged many of both classes of holders of securities. I cannot believe that any important percentage of these have as yet bought back stocks. The supposition is that most of those who sold on that decline lost money. Business conditions since have not been favorable to the task of retrieving such losses. It is not to be thought that losses have been regained since that time on the other side of the market. Thus sellers during June or before are disposed of. Insiders must have some of those stocks on hand.

Now, we have recently passed through another and shorter period of liquidation. Were not conditions during the last period more favorable to the induction of liquidation than during the former? When prices were declining during the fall of 1912 and spring and early summer of 1913 did we not have the bullish influence of bumper crops harvested and good earnings? Lately we have had many depressing and discouraging elements in the situation, such as receiverships, important dividend cuts and war with Mexico imminent. But we see that the recent decline failed to bring out at its critical or most intense period more than two-thirds the volume of liquidation that appeared at a like demonstration in the early part of June, 1913. Would not such action tend to demonstrate that present holders are stronger than those of 1912-1913 and that as a consequence there is less pressure to sell, save in special issues, than existed especially at the June crisis?

If stocks, then, are in comparatively strong hands what future developments would make desirable any great further liquidation? Let us say that people who now hold stocks have also money lying in banks. Business needs in the direction of money are not pressing. Legitimate business requirements find ample banking accommodation. Banks have money to loan and lots of it. Dividend paying stocks may be subjected to cuts in the future. Some will sell those stocks further, but will they not be prompted to put funds so realized back into safer securities? Will money be allowed to remain idle for a long period or at banking interest while certain high grade stocks return, with comparative safety, 4, 5 and 6 per cent.? I cannot believe so, yet my reasoning may be faulty.

Looking at the market through the eyes of one who tries to avoid prejudice—one free from any chronic attitude—and tempering a highly technical viewpoint with an outlook to the future that is almost the birthright of one born in this good country, and cognizant of that part of its history that has already been written, I cannot but feel that so far as the better class of our standard securities are concerned they are within profitable purchasing levels for prudent investors. I have in mind about ten railroad and industrial stocks which I am fully convinced any investor cannot err in buying, dividing his investment over at least one-half of that number, at around present prices to hold for considerable profit in the months to come. Sound bonds are now a purchase without a doubt.

With the lid on the issuance of new securities at Washington and a year of favorable crops, and continued easy money stocks must advance.

A HOPEFUL BULL.

May 2, 1914.

His Trading Creed Boiled Down.

As your "Random Shots by a Good Marksman," perhaps it would interest your readers to know how I trade. I never see a broker or a "board." I am a long pull, double-margin, keep good artist. After

catching my bird or getting the trend I take some. If it goes a little against me I average with a stop of about half a margin. If right I stop my first lot even and take another lot. I try to trade on half at about the range of fluctuations or about half a margin. There is always something good, stocks, grain or cotton, long or short, where they look out of line of averages. I do not want even chances. The preponderance of reasons must decide for me. I give brokers market orders usually before the opening and place limit and stop orders good for the day or week. I seldom change my opinion. When in doubt I close out and think it over. When active I hear from the market once or twice during the day, but usually just study from the daily reports.—J. R. D.

A Canadian Friend Speaks.

Besides the best city dailies (Canadian) I get the "Financial Post" every Saturday, "N. Y. Post" daily, "Commerce and Finance" weekly and MAGAZINE OF WALL STREET monthly. I like the latter because it boils down near-to-nature interesting facts. Most journals go more to style than to matter and talk over our heads, as it were. Professors of figures and style who do not know what it is all about.—R. J. D.

He Saw Something That Others Missed

Dear Sir: I would be much interested to know what you think of the attached "dope sheet" on U. S. Steel.

If THE MAGAZINE OF WALL STREET had never been published I would not have been able to pick the exact day or the start of the decline in Steel if "The Architect" had not published his charts about two years ago.

I sold the stock at 63 on April 8, and thereafter sold it every 1 point down as it declined, securing a substantial profit much in excess of the maximum risk, the stock being protected by a 2-point stop as it declined.

G. L. B.

UNITED STATES STEEL.

Since May, 1913, Steel common has shown a tendency to fluctuate within a narrow range for a month or two, and then make a rapid move of 9 to 16 points without interruption.

May-June	60—50	10-point move
July-August	52—68	16-point move
September-October ...	65—54	11-point move
January, 1914	58—67	9-point move

These moves having been made without a 2-point reversal, a 2-point "follow-up" stop would not have been caught until the move was over.

Between the ending of each move and the beginning of the next the following time elapsed:

June 11 to middle of July..........	1 month
August 13 to September 24........	1⅓ months
Middle of October to end of year.	2⅓ months
End of January to date...........	2⅓ months

Sufficient time has now elapsed since the January rise ended for Steel common to be "ripe" for another move, and with the present depressed state of the news on the steel business, which holds out no definite hope of early improvement, it is more than probable that the next considerable move will be down. It is very probable that the down-swing started *today*.

Wednesday p. m., April 8, 1914.

Closed today 62⅞.

Dear Sir: Your interesting favor of the 30th inst. with enclosure received, and I am very glad that the magazine has aided you in the selection of the proper time to act on the short side of Steel common. This is especially so in view of the many criticisms of "The Architect's" articles which have been received from many subscribers. Our claim was that while the methods suggested did not always work, they gave valuable ideas which might be developed into something substantial.

Trading and Investing—Bargain Indicator.

C. D.—We do not see any reason why, in view of your knowledge of the subject, your permanent investments should interfere at all with your active trading which, as we understand it, you intend to handle on the stop order plan. Of course you fully understand that the trend of the market for a minor or intermediate swing may be downward while the trend for the long pull, or the general development of the investment situation, may at the same time be upward. You would then find yourself holding stocks for investment and at the same time short of the market on your active trading account, but since you understand the principles on which these movements are based, there would be no real contradiction in your position and we do not see why it should interfere with your success.

One thing, however, you should be careful about and that is permitting your position in active trading to influence your investment position. You should keep the two entirely separate in your own mind. That is, if, reasoning on the basis of active trading, you think the market will have a five point decline, you will work for this on your trading account, but you should be careful to avoid selling out your permanent investments in the effort to catch this small downward movement.

In regard to using the estimated annual earnings on railway stocks, as given by Mr. Niedermeyer in his recent article, as a basis for the "Bargain Indicator," this was tried in the early volumes of this magazine, but was abandoned because of the impossibility of forming an accurate estimate in advance. It was found that when the annual report of the road came out the per cent. of earnings on the stock actually shown there would often vary considerably even from the most expert estimates which had been made in advance. Our view is that the "Bargain Indicator" ought to be based on official statistics, not on any estimate.

Dividend on Short Sale.

I was short 20 Steel from February 10 to March 14—sold ex-dividend March 2. On statement just rendered by my broker he has charged me with: Div., 20 Steel, $25. Is this right—if so, why?—A. D. H.

Your broker was quite right in charging you with the amount of dividend on the 20 shares of Steel.

In selling short you sold what you did not possess, but expected to purchase it later at a lower figure than the price at which you sold. The dividend always follows the stock. Therefore, the party who bought your 20 shares was entitled to receive the dividend declared on the date you mention. The dividend was at the rate of 1¼% quarterly. On 20 shares this would amount to $25.

If you reverse the transaction, and assume the position of the party who bought the stock you sold short, you will readily see that the buyer was entitled to receive the dividend on the stock which he bought.

Customary Margins—Balance of Trade.

C. D.—Many stock brokers now require more than 10 per cent. margin on orders to start with. After the trade is executed they are usually satisfied if 10 per cent. margin is shown between the current price of the stock and the exhaust point of the customer's margin. We do not recommend any one to trade on 10 per cent. margins, as we do not consider it sufficient for safety.

There is a large invisible balance of trade, so-called, which has just as much effect on the movements of gold as the visible balance. This invisible balance consists of interest payments on American stocks and bonds owned and held abroad, expenditures of American travelers abroad, payments for freight and passengers carried in vessels owned by foreign owners and other smaller items of similar character. The result is that this country must always maintain a considerable excess of exports over imports in order to preserve a true balance of trade—that is, in order to prevent exports of gold. The gold movement is the true test of the balance of trade when both visible and invisible balances are considered. Special influences may affect the movements of gold temporarily, but taking one year with another this is the only real test of our trade position.

Use of Current News.

D.—We think that the experienced trader can make a little more use of current news on the market than you indicate. He learns eventually to read financial articles with a view to getting the facts and then to use these facts as a basis for his own reasoning. In this respect various newspapers will be found to differ a good deal, but the point is that the trader needs to have in the background of his mind the actual facts of the situation. These will not, perhaps, have any very direct effect on his operations, but they give him the advantage that a well-informed man has over one who is poorly informed. It takes some experience to be able to handle financial news in this way—to sift the actual facts out of opinions, guesses and unfounded statements, but eventually the trader learns to do it.

Bank Clearings.

Today a person who from his position and experience should know something of financial matters said: "Banks can boost clearings by drawing checks on each other." His "can" meant "do." Is it true that banks "kite checks" for the purpose of misleading the public as to the volume of business transacted?—H. H.

Your informant is mistaken. Of course checks drawn by one bank on another are included in bank clearings, but those checks are drawn in the ordinary course of business and the idea that banks would draw such checks for the express purpose of increasing clearings is absurd.

Reading and Lehigh Earnings.

As an interested and careful reader of your magazine I am writing to point out a marked difference regarding railroad earnings, published in your April number.

In Mr. Neidermeyer's article "Current Railroad Earnings" he gives Reading earnings for 1913 as 17.57%, while your figures say 22.7%.

Lehigh Valley for 1913, 14.46%; your figures say 16.9%.—A. F.

Mr. Neidermeyer's figure of 17.57% for Reading earnings in the fiscal year ended June 30, 1913, does not include additions and betterments or new work at collieries. These items are included in the Reading earnings as given in our "Bargain Indicator" table, in accordance with the statement in the introductory note at the head of that table. Including these, the earnings on the common for 1913 were 22.7% as given.

For Lehigh Valley Mr. Neidermeyer's figures are based on the earnings of the railroad alone, while the figures in our "Bargain Indicator" include also the surplus of Lehigh Valley Coal Company, which is entirely owned by the railroad. This Company is, of course, to be distinguished from the Lehigh Valley

Coal Sales Company, which was formed in 1912 and is entirely separate from the Railroad Company. The Government last March filed a suit against the Lehigh Valley Railroad, alleging violation of the Anti-Trust Law in the ownership of the Lehigh Valley Coal Company shares by the Railroad Company, but this suit has not yet come to trial, so that for the present the Coal Company's yearly surplus is properly included in the total income of the Railroad Company.

We desire to thank you for calling attention to these matters, as they may have been puzzling to other readers as well as to you.

Information on Cotton.

What periodicals ought one to read in order to keep abreast of the situation on the Liverpool and New York cotton markets? What books can you recommend for consultation for a fuller understanding of the methods and customs of the Liverpool and New York cotton markets, the contracts involved, etc.?—W. M.

The Commercial & Financial Chronicle, New York, gives a good deal of attention to the cotton markets, also the *Journal of Commerce* and the *Commercial*. We do not recall any book covering methods and customs of the cotton markets, but think that several statistical pamphlets along this line have been issued and circulated by members of the Cotton Exchange.

There is an interesting book called "Cotton," by Burkett and Poe, which covers all sides of cotton cultivation, selling and spinning. We can furnish you this at $2.20 postpaid.

"Cotton Facts," by Shepardson, price $1.06 postpaid, includes a compilation of prices running back about 20 years.

Value of Financial Books.

I do not care to purchase any financial books, as the writers of these books evidently do not know how to profit from their own advice or they would not have to write books. Gould, Harriman, Morgan and Rockefeller never wrote books of advice.—L. F.

Suppose a man after perhaps twenty years of study has learned how to make money earn 25% annually. Perhaps he is worth $10,000 when he gains enough knowledge and experience to do this. Suppose his expenses are $2,500 a year. It would take the full amount that he could make his $10,000 earn in order to simply pay his expenses and keep him from running behind. Of course very few men would be satisfied with that. It is evidently necessary in such circumstances for a man to do something besides invest his money. He may use his ability in many different ways, but writing financial books would be one way that he might choose. Similar arguments apply to issuing market letters, etc.

Moreover, many men write because they like it, and without paying much attention to the profits they make from their work. We know a number of capitalists who frequently write articles which appear in various publications. They don't need the money, but they like to do it.

Execution of Odd Lot Orders.

When an odd lot order is executed at the opening of the market, what price can the trader expect to get as compared with the opening quotation for 100 share lots? Are stop loss orders executed in odd lots at the quotation for 100 share lots?—Student.

In the active stocks you will not lose more than 1/8 on the execution of odd lot orders at the quoted opening price. Stops, unless reached on the opening, will nearly always be executed at the exact point where placed.

The Right Way to Succeed.

The Trend Letter has been of great benefit to me in trading. I have done very well when the short swings in prices are considered since I have been trading. I am away ahead in the game, and can stand it and keep trading, and wait for longer swings, "if it takes all summer."

I have quit having an opinion if my own in the market, no matter what happens, and trade only when I hear from you.—J. C. B.

Yield on Price—Stock Dividends.

When a stock pays a certain per cent. at par, how do I figure out the dividend yield when it gets to 200 or falls to 50? For example Chino Copper pays 75c. quarterly per share at par. How would I figure dividend yield at its present price?

When surplus profits are issued to stockholders by a railroad company in extra shares, say 50 to every 100 shares held, do stocks of this company fall 50 points over night? Or please say what they would open at next morning.—F. S.

To find the dividend yield on any stock at a certain price, you simply divide the annual dividend on the stock (adding two ciphers) by the price at which it sells.

For example, if Chino, paying $3 per share yearly, is selling at $42, you divide $3 by $42, getting 7.1% as the annual yield on the price of 42. Dividends of $3 yearly on a par value of $5 you will find by the same process would represent a dividend yield of 60 per cent. on par. At $42 Chino is selling at 840%, which, divided by 60%, equals 7.1.

When a company distributes stocks in the form of an extra stock dividend, the stock will sell "ex" the value of this extra distribution, just the same as though the dividend had been declared in dollars. The exact amount of the fall over night when the dividend came off would depend on the per share value of the stock distribution.

"Safe Investment in Cotton."

I would like some further explanation in regard to Mr. Revere's article in your May issue entitled "Safe Investment in Cotton." It seems to me that he has not fully proved his case.

The example given by him runs back only to the year 1908. It might easily be that special conditions have existed for the last six years which did not exist before or might not exist in the future, which would make his method practical during that time without proving that it could always be used with safety and profit.

For example, I remember that ten or fifteen years ago the distant options in Chicago Wheat always sold at a premium over the cash. This premium was called the "carrying charge" and was looked upon in the light of payment to the owners of elevators for carrying the cash wheat until the time when the distant options matured. It was then regarded as entirely safe to sell wheat short with a view to getting this carrying charge and it was figured that the bear always had this advantage in his trading. However, this proved to be only a temporary condition. For ten years now there has been no regular premium or carrying charge on the distant options, and in many cases they have sold much lower than cash wheat.

Without having investigated the subject, it occurs to me that the same conditions might prevail in cotton. To prove the case absolutely would it not be necessary to compile statistics on the subject covering twenty years or more and also to present a sound and logical reason explaining why the distant options in cotton sell lower than the cash?—G. S.

The June issue will contain an article further elaborating on this subject, which will doubtless cover your inquiry.

Corporation Statements to Bond Holders.

Will you kindly advise me whether it is now a standard practice of corporations to send financial statements to their bondholders? If not, why does any average citizen invest in bonds of industrial concerns; and if the statements are made, how is it possiple to victimize the bondholders, as was done in the cases of the Frisco and New Haven deals?—J. L.

Corporations do not usually send their financial statements to bondholders. Such statements are sent to stockholders in regular course, as the stockholders are in the position of partners in the business. The bondholders are creditors, not partners, and for that reason they do not receive the corporation's statements unless they ask for them.

There are some corporations which do not make any detailed report of their business, even to stockholders, and it is something of a mystery why investors will buy the bonds and stocks of these corporations when they have so little definite information in regard to the position of the business.

It is to be remembered, however, that statements always apply to past business. Hence, even though the stockholder or bondholder gets annual or quarterly statements regularly, he may not know what is going on at the present moment, or what is planned by the officers of the corporation for the future.

There is no doubt that in many cases injustice has resulted from the failure of controlling interests of corporations to keep stockholders properly advised as to the condition of the business.

Personal

The Stock Exchange firm of Colton, Fales & Co., which has become known to our readers through the extensive advertising conducted in our columns, dissolved May 1 by mutual consent.

Haliburton Fales, Jr., who has contributed many practical articles of value to our reading pages, becomes a member of Hartshorne & Picabia, 64 Wall Street, New York. W. R. Colton retains his Stock Exchange membership and will make his headquarters also with this firm.

Investment Bankers' Assn. Report.

The Investment Bankers' Association of America has issued a forty-page bulletin showing the work of General Counsel since October last. It gives results in legislation, litigation, income tax rulings and discusses constructive legislation needed. Taxation matters are given much attention. Recent blue sky laws are also given in full.

Map of Reserve Bank Districts.

N. W. Halsey & Co., of 49 Wall street, New York, are distributing among the banks, trust companies and other financial institutions a map showing the Federal Reserve Bank districts and cities. A copy of the map, which is suitable for wall purposes, may be had upon application.

STUDY the short side. You will sometimes make money quickly when the break comes. It is nice to cover a line of shorts and have ready money to pick up bargains. When the panic or the rush to get out at any price comes, a good plan is to watch the papers tell on their front pages how it happened. That is usually about the end of it.

Book Reviews

Securities Owned. Supplementary to "Comparative Analysis of Railroad Reports." 275 pages. Leather. Second year. H. H. Copeland & Son, New York.

Like the "Analysis," to which it is a companion volume, the book is a distinctive publication and one of invaluable aid to the investor or banker who desires to do business with the Treasury of the railroad, or, in fact, for anyone who wants to be posted on this phase of the railroads' position in the way of buying some of the securities held. It is not generally appreciated, but there is very rapid and marked change occurring from year to year in the security holdings of the various railroads.

This volume shows each year the holdings of all kinds of the operating or parent company itself, as well as those of the subsidiary companies. It has a very complete index and gives the railroads in groups the same as in the "Analysis," adding, however, one additional and large miscellaneous group. Altogether the holdings, some 250 roads, are given in complete detail embracing some 2,500 different securities, aggregating more than six billions of dollars par value.

These holdings are shown at par value, and their cost of book value, as ascertained according to Interstate Commerce Commission rules. Besides this there is given the rate of interest or dividend they bear and the amount of income they yield to the road that owns them. It also shows whether the securities are pledged or unpledged by the company. Also which of the securities owned are carried by the company as a working asset, a very important feature in determining whether a railroad has a proper working capital. In addition, the advances made by each company to any other company are itemized. There is also an indication to show whether there has been any change in the holdings of any particular security from the previous year.

The balance sheet of a railroad shows lump figures for securities owned. This is the only publication showing how these aggregate figures are made up. The book is extremely useful for light on the make-up of the equities represented by these holdings, their relation to the total capitalization of the road, the part these securities play in working capital and whether the road has a real reserve of new capital in the form of securities unpledged and salable easily in the open market.

Modern Foreign Exchange. Monetary Systems, Intrinsic Equivalents and Commercial Rates of Exchange of All Countries and Their Relation to United States Money. By V. Gonzales, foreign trade and banking expert of the National Association of Manufacturers. 32 pages (C. S. Hammond & Co.). For sale by The Magazine of Wall Street. Prices postpaid: paper, $1.04; cloth, $1.31; soft leather, $1.56.

A very useful book for those engaged in foreign trade. Contains complete tables of moneys of all commercial countries, rates of exchange, etc., with the necessary explanations. The book does not deal with the scientific principles of foreign exchange, but presents facts and figures for practical use in summarized and condensed form so that all business men can readily understand them without any special preparation. The arrangement of the tables is simple and convenient.

The Express Service and Rates. By W. H. Chandler, Assistant Manager, Traffic Bureau, The Merchants' Association of New York. Cloth, 340 pages and appendix, with tables and charts. (La Salle Extension University.)

This book gives a complete description of the business of the express companies with the various forms used by them, classification of merchandise, schedule of rates, etc., including Supplement No. 1 to Tariff Circular No. 19-A of the Interstate Commerce Commission, which gives regulations governing the construction and filing of tariffs and classifications of express companies, with administrative rulings.

The contents include a historical survey of the early development of the express service; organization, capitalization and earnings; internal organization; character of service rendered; financial relations with railroads; contracts with carriers; rates, receipts, switching and terminal tariffs; money, financial and foreign departments; the electric railroad in the express business; parcel post and express business; Canadian express rates, etc.

It is intended as a text-book and is thoroughly practical in its handling of the subject. Lists of test questions are included for the use of students. The book will be of great value to those who are especially interested in the details of the express business, particularly young men who desire to enter that line of work.

The Market Outlook

Some of the Factors Beneath the Surface of Current Events

[NOTE.—This department deals primarily with investment, not purely speculative conditions. Expressions of opinion apply to the long movements of prices, often extending over a year or more. For instance, early in 1912 a bullish position was maintained; toward the end of the bull movement in the fall of 1912, a decline was predicted; thereafter a generally bearish view was expressed until the fall of 1913, when purchases were recommended. Readers, therefore, should not attempt to gauge the immediate movement of prices by the factors analyzed here.—EDITOR.]

MANY of the readers of this department are accustomed to place a great deal of weight on the excess of deposits over loans in New York Clearinghouse banks (not including trust companies), as shown on the diagram which often appears here. For that reason we have once or twice mentioned the fact that, in our opinion, the importance of this indicator is considerably lessened by the approaching inauguration of the new Federal Banking System. The transfers of reserves, changes of reserve requirements, and the rediscounting of commercial paper, will probably result in changes in the relation of deposits to loans; and these effects will be to some extent felt in advance of the actual beginning of operations of the new system, because the banks will be making preparations for it.

Nevertheless such a change as is shown on the diagram this month is of importance, in spite of the above qualification. Excess deposits are now shown to be at the highest point since 1908, with liberal surplus reserves. There can be no doubt that this indicates a large accumulation of liquid funds, which will in due time make their appearance in the markets in the form of investment capital.

* * *

AN important difference, however, is noticeable between the present situation and that of 1908. In that year, when excess deposits reached their present altitude the average price of twenty railroad stocks had already risen about one-third of the way to its subsequent high point of 1909. But at present this same average is clinging around the low point of 1913, having lost the small advance which was scored in January of this year.

It is not difficult to understand the causes of this difference. A piling up of liquid capital is always a necessary preliminary to advancing prices for stocks and bonds; but it is not the only necessary thing. We must not only have the liquid capital available, but investors must also have that feeling of confidence in the future which will lead them to transfer their liquid funds into more or less fixed forms by investing it in securities.

So far only a moderate degree of such confidence has been in evidence, because of radical political tendencies and poor crops last year. The majority of investors are highly conservative in their political views and are restrained from placing their money when Government policies are in force which they consider dangerous. And most of them realize that the soil is the most important source of the wealth of society, so that good crops are essential as a sound basis for improvement.

Railroad securities, also, have suffered more than industrial, mining, or public utility issues, because the roads are laboring under the disadvantage of fixed rates during a period of rising costs.

* * *

THE three obstacles to rising prices for stocks, then, are as follows:

(1) Important political changes.

(2) Inability of railroads to raise their rates.

(3) Unsatisfactory crops last year.

It is in order to consider what progress is being made to remove these difficulties.

So far as politics is concerned, we are still in the midst of changes the final results of which cannot be definitely appraised. About the most that can be said is that a majority of these changes are now behind us—tariff, banking, income tax. We are still in the midst of the anti-trust agitation and the Mexican complications, while the possibilities of anti-stock exchange and anti-produce exchange legislation are apparently becoming less every day.

The railroad rate situation is on the knees of the Interstate Commerce Commission.

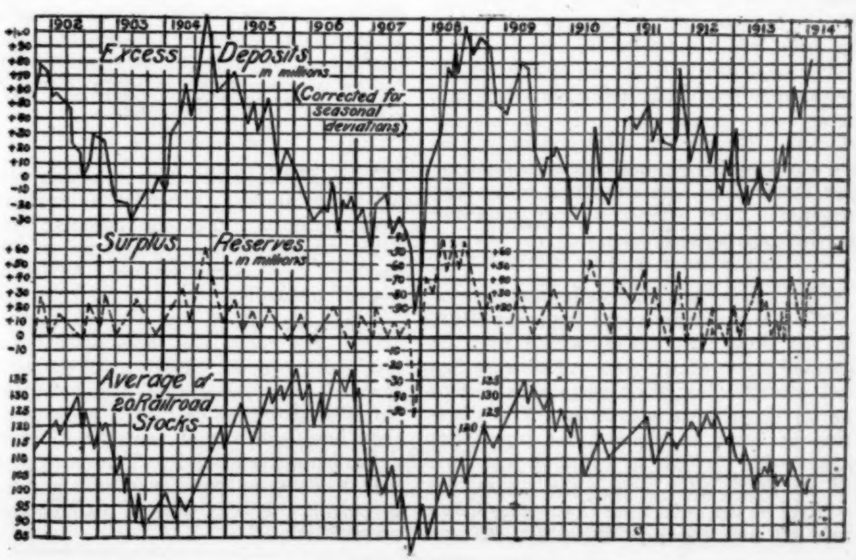
The crop prospect for this season is really glowing down to date. It cannot yet be said that good crops are assured, but with the abundance of moisture now in the soil and the splendid condition of the only two crops that are now far advanced—hay and winter wheat—anything like a crop failure is virtually impossible.

We may add that any extensive decline in the general level of stock prices from the present plane is also highly improbable. The combination of high interest yields at current prices with a superfluity of liquid capital, is a hard one for bears to contend against. About the worst that could happen would be a continuation of dulness and minor fluctuations until the situation clears up enough to permit an advance. This is the teaching of the whole financial history of this country.

* * *

A VERY encouraging feature is the firmness of the bond market in the face of the reaction in stocks. There is also a noticeable, though moderate, increase in the activity of bonds as compared with last year. This gain in the activity of bonds usually precedes the beginning of a bull market in stocks by about six months. It began last January—another straw which points toward a better stock market in the last half of this year.

For the present at least, the improvement in bonds is likely to be slow. The bond market depends on the world's money market; and although interest rates are low everywhere, this is now more due to lack of demand than to abundance of capital for permanent investment. The continued absorption of gold by Continental banks puts a brake on foreign financial progress.



THERE was very little selling of stocks by investors on the recent reaction. It was, so far as we can diagnose the condition of the market, a speculative movement, and we judge that it was accompanied by an increase in the short interest.

On the other hand, banking interests and big investors have given the market no support. It is being left to take care of itself, and in view of the flood of bad news on business, politics and Mexican intervention, it seems to us that it has given a fairly good account of itself.

Mr. Whitridge, of the Third Avenue Railway, is quoted as saying that it will take one or two big failures to clear the air, and that we shall get the failures. This would not be surprising. Yet we have already had a number of big receiverships, and we have had some sensational declines in the stocks of certain weak companies. Doubtless these points of weakness are not yet all eliminated, but the process of elimination is probably well advanced.

From the investment point of view, we see no reason to doubt that the best stocks, whose dividends are not in doubt, are low. That a stock which is already low may easily go lower is a fact which most of us have had the opportunity to learn by experience, but our opinion is that buyers on reactions will not undergo much punishment before things begin to work out in their favor.

If there is one class of stocks which apparently has better prospects than another, we should say it is the copper stocks. Temporary fluctuations aside, the world is developing new uses for copper faster than new copper is being discovered. This affords a firm basis for the investor's confidence.

* * *

OIL men are anxiously awaiting a decision from the Supreme Court in the Pipe Line case, which may be handed down at any time. This case has not attracted as much general comment as its importance warrants. The question at issue is whether the pipe lines are to be classed as common carriers. If so their rates will come under the control of the Interstate Commerce Commission and the pipe lines will become available for use by other companies besides those now owning them.

The decision will have an important effect on the whole oil situation. If the pipe lines are common carriers, the status of the oil business will be greatly changed.

* * *

IT is, in our opinion, useless to expect any rapid recovery from the world-wide business depression now existing. Its roots are too deep and its causes have been too long in developing. The whole world has wasted its substance in wars and in varied extravagances, both public and personal. There is no way out except the slow one of gradual accumulation and more settled political conditions.

In particular, we must have rising commodity prices before the upward wave in business can gain headway. Falling prices mean liquidation and rising prices mean better profits. Thus the broad swing of commodity prices roughly outlines the "minor cycle" of prosperity and depression.

There is no occasion for gloom. Many of our troubles are already behind us. We have a better banking system than ever before. We are a young country, with tremendous powers of recuperation. Our methods of producing wealth are today more rapid and more highly efficient than ever before seen and capital accumulates quickly under favorable conditions. An upward movement which makes a slow start is more likely to prove sound and permanent.

* * *

THE Mexican situation is, at this writing, about as unsettled as anything well could be. Yet the outcome may have an important influence on the market. If it were seriously to be believed, according to some recent dispatches, that President Wilson contemplates assuming the responsibility of establishing real popular government in Mexico—something that has never existed heretofore—we might well expect that investors would temporarily withdraw from the market. The more probable outcome is that a way will be found to permit the Mexicans to manage their own affairs.

The Iron and Steel Situation

Continuance of Hopeful and Watchful Waiting

IRON and Steel men are still guessing what will be the situation in the trade in the near future. They see that stocks in the hands of buyers are at about the lowest possible ebb, they see that the prices of iron and steel are about as low as it is possible to get them without operating the mills at an actual loss, they see the conditions in the money market easy so that credit can be had on reasonable terms for those who desire it, they see that the railroads need a great quantity of new steel, they see that the general demand of the country is far below normal and still business does not go. It drags along from week to week upsetting the most shrewd calculations of everyone. It is absolutely a puzzle to the very best statisticians, guessers, theorists or whatnot in and out of the steel trade. It is so obstinately dull and unresponsive to the conditions that ought to revive it somewhat that practically all the best judges have "thrown up the sponge" and frankly say they don't know what it is or what it means.

Two months ago in this place we stated the opinion that the middle of May or surely the first of June should see the mills operating between eighty and ninety per cent. and things moving along with a little zest. Here it is the middle of May and the mills are running closer to sixty per cent. than eighty.

Now the guess, a very feeble guess at that, is that business will see something better by the fall. But the prophets are mighty scarce. By precedent, statistics, economics, finance and every other method there is nothing to figure but good business in the steel trade. But what has it? Thin orders, poor prices, deadlocked trade. So it has dragged along for months. So it seems that it will drag along for some more months unless something unexpected happens.

It may be that the watchful waiting will end when the rate case is decided. But that should not have been such a factor as it may be proving to be. More fundamental considerations should have given the trade big impetus by this time.

Our own opinion of the steel situation, judging it from its various angles, is tersely expressed by an authority on the trade in these words: "Some day the latent needs, the latent power of the country, will be vivified, and then the steel industry of the United States will experience as spectacular a volume of demand relative to capacity as has ever been seen in its history. We do not know when that time will come. Late last year we thought it would have a definite and clearly marked beginning in the first half of this year, and were mistaken, but we hold that by as much as the movement is delayed, by so much will it be intensified when it does come, through the country's growth meanwhile in population, in wealth derived from the soil and the mines, and in knowledge and skill to use advantageously the products of the steel industry. A humble beginning may possibly occur before July 1, but the condition at the moment, with stocks so low and prices so close to the cost level, is such that a moderate improvement in demand may occur at any moment without its proving to be the beginning of the long and great period of prosperity which eventually is promised."

PROFITS

Many and great are those in Wall Street who are always on the right side of the market, but it remains for the following trader to make a record in this line. This man told one of his friends, also a trader, on numerous occasions of large profits he had made. The friend, having little else to do, carefully made note of these for a year. At the end of that time the profit-maker said to him:

"I have to pay out $2,500 for a set of furs for my wife, and it is going to run me close."

"What, $2,500 run you close?" asked the friend. "I should think that would be harber tips to you after all the money you have made in the last year."

"What do you mean, 'money I have made'?" queried the would-be J. R. Keene.

"Why," replied the friend, "I have kept account of your profits for the last year, and here is what you have made, according to your own statements." The friend pulled out a small note-book and turning to a page, put his thumb on a total. The line read:

"Total profits to date, $140,000,000."—*The Wall Street Journal.*

The Situation Summarized

[While an attempt is here made to divide the important factors into favorable and unfavorable, this classification is for convenience only. It should be fully recognized that the same factor may have a bullish effect in one direction and bearish in another, or may be bullish in its immediate influence, but containing dangerous possibilities for the future. Also, it would be impossible to strike a balance in this way, as one bullish factor might be so important as to outweigh all bearish considerations, or vice versa.]

Favorable

LOW money rates the world over continue to be a standing feature on the constructive side. Call money here 1¾%, commercial paper about 3¾%. Foreign bank rates, England 3%, Paris and Amsterdam 3½%, Berlin, Vienna and Brussels 4%. No immediate prospect of any change in this respect.

Unusually large surplus of both cash reserves and deposits at New York City affords the basis for an improved stock market as soon as other conditions favor an upward movement.

President Wilson's nominations for the Federal Reserve Board meet general approval of bankers and business men.

Crop conditions never better at this season of the year. Record breaking winter wheat crop practically assured and other crops have a good start.

General business conditions are not as dull as some would have us believe. Bank clearings outside New York City for March and April showed about a normal increase over previous years, in spite of sharp decline in average price-level of commodities. This absolutely demonstrates that a fair volume of business was moving.

Business failures now back to normal, after being abnormally large from July last to February.

Mexican situation appears at the moment less threatening, but outcome of attempted mediation is awaited with anxiety. The most favorable feature is the administration's evident desire to avoid war, but complications are so numerous and troublesome that result is in doubt.

Generally believed that Interstate Commerce Commission will be almost compelled, in view of small earnings, to authorize some increase in railroad rates. Decision looked for soon.

Copper metal situation still relatively strong, in spite of small increase in stocks on hand and liberal rate of production. Price of copper will respond quickly to any improvement in industrial conditions.

Labor conditions show some improvement. Spring work on the farms has decreased the number of unemployed, and there are fewer strikes now than for some time past.

Unfavorable

PRESIDENT'S determination to push anti-trust legislation is doubtless the most unfavorable feature at present, regardless of whether final results are good or bad. Business men cannot be expected to branch out much until they know where they stand. On the other hand, there seems to be considerable doubt whether the full program can be enacted at this session.

Feeling of depression and discouragement among business men throughout the country operates to prevent revival. This might pass away very quickly, but must be recognized as a present psychological fact.

Depressed foreign conditions react on this country. Russian demand for gold has caused moderate shipments from New York to Paris and Berlin. English banks' gold holdings now less than last year. Brazilian and Argentine troubles continue to worry the Paris market.

Our foreign trade balance for first four months of year smallest for four years. This indicates probability of further gold exports, but at present we have plenty of gold to spare.

New orders of U. S. Steel Corporation are running less than 40% capacity, operations less than 60%. Stocks on hand of both steel products and pig iron are increasing. Orders are about down to the minimum, but of course prices might fall somewhat further.

Railroad earnings small, and car surplus big. March net earnings of ten leading roads were a shade better than 1913 or 1912, but below three previous years. But part of this business was left over from February, due to bad weather in that month.

New Haven R. R. investigation injures standing of roads with the people at a time when more favorable sentiment seemed to be developing. Missouri Pacific, Rock Island and 'Frisco also suffering from past mismanagement.

Level of commodity prices still falling. Business cannot improve very much on falling prices. But under present conditions any substantial upturn in commodity prices will mean better business.

Mexican situation still decidedly mixed, with important bearish possibilities.

Colorado mining war antagonizes labor everywhere.

Essential Statistics Boiled Down

THE figures below give a complete view of the financial and industrial situation, with the best available comparisons for the corresponding month (or nearest month obtainable) in each of the four preceding years.

	Average Money Rate Prime Commercial Paper New York.	Average Money Rate European Banks	Per Cent. Cash to Deposits, New York Clearing-house Banks.	Per Cent. Loans to Deposits, New York Clearing-house Banks.	Per Cent. Cash to Deposits, All National Banks.	Per Cent. Loans to Deposits, All National Banks.	Money in Circulation Per Capita First of Month.
May, 1914	3¾	3½	27.3	94.8	.....	......	$35.20
April, 1914	3¾	3½	26.1	96.5	.....	......	34.99
March, 1914	4¼	3½	26.3	96.6	15.8	104.4	35.04
May, 1913	5⅜	4⅞	26.6	100.0	15.6*	102.7*	34.56
" 1912	4⅛	3¼	26.1	97.2	16.9*	103.6*	34.56
" 1911	3⅝	3⅜	28.2	96.3	17.1†	105.3†	34.55
" 1910	4¾	3⅝	26.8	101.5	16.0†	104.5†	34.45

*February. †March.

	New Securities Listed N. Y. Stock Exchange (000 omitted)	Bank Clearings of U. S. (000 omitted)	Bank Clearings of U. S. Excluding N. Y. City. (000 omitted)	Balance of Gold Movements —Imports or Exports. (000 omitted)	Balance of Trade Imps. or Exports (000 omitted)
April, 1914	$57,515	$14,923,762	$6,375,245	....	....
March, 1914	82,302	14,280,781	6,431,191	Ex. $5,211	Ex. $5,384
April, 1913	21,806	14,313,253	6,257,913	Im. 1,003	Ex. 53,618
" 1912	212,443	14,967,196	6,137,040	Im. 2,075	Ex. 16,729
" 1911	133,448	12,403,607	5,433,794	Im. 3,019	Ex. 38,160
" 1910	114,749	14,045,487	5,703,725	Ex. 34,182	Im. 811

	Bradst's Index of Commodity Pcs.	English Index of Commodity Pcs.	Wholesale Price of Pig Iron	Produc'n of Iron (Tons.) (000 o'td.)	Price of Electro. Copper (Cents.)	U. S. Production of Copper (Lbs.) (Millions)	U. S. St'l Co. Unfill. Tonnage (000 o'td.)†
May, 1914	8.62	.....	$13.75	.....	14.0	...	.....
April, 1914	8.75	2,597	13.75	2,270	14.2	152	4,277
March, 1914	8.83	2,622	14.00	2,348	14.1	146	4,653
May, 1913	9.14	2,729	14.94	2,752*	15.4	135*	6,978*
" 1912	9.27	2,693	14.15	2,375*	16.0	125*	5,664*
" 1911	8.45	2,554	13.95	2,065*	11.9	118*	3,218*
" 1910	9.03	2,416	15.00	2,483*	12.5	117*	4,257‡

*April. ‡June. †Last day of mo.

	Net Surplus of Idle Cars.	Building Operations, Twenty Cities.	Business Failures Total Liabilities.	Winter Wheat Condition.	Babson's Average 10 Leading R. R. Bonds.
May, 1914	228,879	....	....	95.9†	93.1
April, 1914	139,512	$49,628,841	$19,219,249	95.6	93.4
March, 1914	153,907	54,678,980	23,009,438	....	93.2
May, 1913	39,799	54,746,603*	19,424,939*	91.9	92.5
" 1912	130,098	65,012,418*	15,528,716*	79.7	97.6
" 1911	187,278	54,315,271*	15,102,213*	86.1	98.6
" 1910	122,593	61,350,965*	21,051,114*	82.1	97.9

*April. †Acreage 630,000; 1913, 523,561; 1912, 399,919.

Market Statistics

For Month Ending May 19, 1914

	March.	Dow Jones Avgs. Inds.	Rails.	50 Stocks High.	Low.	Total Sales.	Breadth (No. issues.)
Wednesday	15	80.00	102.48	68.23	67.72	311,100	127
Thursday	16	79.90	102.41	68.10	67.40	417,900	134
Friday	17	79.72	101.69	68.43	67.46	402,900	126
Saturday	18	79.86	101.73	67.68	67.23	199,400	110
Monday	20	78.88	100.63	67.57	66.58	399,100	148
Tuesday	21	79.35	101.45	67.36	66.51	351,600	132
Wednesday	22	79.52	101.20	67.33	66.75	277,900	127
Thursday	23	78.73	100.53	67.32	66.78	305,400	120
Friday	24	77.52	99.48	66.58	65.71	504,100	145
Saturday	25	76.97	99.24	66.09	65.24	348,900	138
Monday	27	77.82	99.65	66.81	66.07	382,700	130
Tuesday	28	78.79	100.96	67.39	66.39	413,500	130
Wednesday	29	78.61	100.38	67.45	66.76	266,800	119
Thursday	30	79.12	101.23	67.33	66.76	287,100	115
	May.						
Friday	1	80.11	102.45	68.56	67.53	468,200	151
Saturday	2	79.83	102.08	68.41	68.00	141,800	118
Monday	4	79.89	102.66	68.95	68.21	327,900	143
Tuesday	5	79.89	102.43	68.71	68.24	275,700	118
Wednesday	6	79.78	102.31	68.48	68.18	181,400	102
Thursday	7	79.85	102.03	68.60	68.08	219,300	124
Friday	8	79.16	101.36	68.10	67.62	297,400	119
Saturday..........	9	79.56	101.50	67.90	67.48	149,300	91
Monday	11	80.03	102.01	68.42	67.93	199,300	100
Tuesday	12	80.10	102.18	68.45	68.18	116,600	96
Wednesday	13	80.05	101.96	68.46	68.13	156,100	102
Thursday	14	81.05	102.95	69.16	68.57	306,100	133
Friday	15	81.11	103.06	69.56	69.18	249,100	145
Saturday	16	80.82	102.91	69.22	69.06	69,900	92
Monday	18	81.36	103.41	69.75	69.23	263,100	127
Tuesday	19	81.66	103,49	69.60	69.19	179,100	129